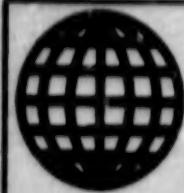


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International Affairs

Soviet Union International Affairs

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Preparations for Paris Summit Viewed

90UF0325A Moscow *IZVESTIYA* in Russian 11 Jul 90
Morning Edition p 5

[Article by S. Tosunyan: "Diplomats Have Begun Preparations for 'Helsinki-2'"]

[Text] The Committee on Preparations for the All-European Summit Meeting has begun work in the Austrian capital. The meeting is expected to take place in November of 1990 in Paris. The creation of such a committee was agreed upon a month ago by the ministers of foreign affairs of 35 countries—the participants in the Helsinki process in the course of the meeting in Copenhagen. The Preliminary Committee will work out an agenda for the Paris meeting and will determine which documents should be presented for signing. The results of its work will be reviewed and approved by the ministers of foreign affairs. Delegations from 35 countries are participating in the work of the Preliminary Committee. The Soviet delegation is headed by Ambassador Extraordinary and Plenipotentiary Yu. S. DERYABIN, head of the USSR Ministry of Foreign Affairs Questions of Security and Cooperation in Europe Department.

"Even before coming to Vienna," announced Yu. S. Deryabin, "our delegation held intensive bilateral consultations with our future committee partners. Intensive preparatory work was performed also within the framework of NATO and the Warsaw Pact, in the EEC, as well as in a group of neutral and non-aligned countries. The agenda of the summit meeting, which will be formulated in its final form by the Preliminary Committee, will evidently contain such priority questions as the continued reduction of military opposition in Europe and the reduction of troops and arms to a level of prudent adequacy."

In its importance, the upcoming meeting may be compared to the Helsinki Conference of 1975. The potential of Helsinki is far from exhausted. However, Europe has changed in recent times. Positive changes in the military-political sphere and in the sphere of human rights, as well as changes which have taken place on the continent, especially in its eastern portion, dictate the need for an in-depth interpretation of these processes.

This is why the idea of holding a new meeting of leaders of the CSCE participant countries, a sort of "Helsinki-2", which was proposed by M. S. Gorbachev, has found broad support. The consensus on convening a summit conference was formulated literally within a few months. The West has unanimously agreed to this. It is appropriate to recall this fact here also because there are certain critics of our foreign policy in our country who maintain that Soviet diplomacy is supposedly making concessions to the West.

What will be discussed at the summit meeting? Obviously, the comparison of views on the current situation in Europe will occupy a central position. At the same time, common approaches will be worked out to the

qualitatively new stage which our continent is entering. Naturally, questions associated with the external aspects of German unification will have their place.

The discussion will also center around the development and dynamization of the common European process as a whole. We must, for example, secure the breach which occurred at the Bonn Conference on Economic Cooperation and the Copenhagen meeting of the CSCE Conference on Humane Measures.

Particular importance is being ascribed to the creation of permanent institutions of the Helsinki process and to the formation of future common European structures for security and cooperation. There is already a general understanding of the need for regular high-level meetings of ministers of foreign affairs and for a mechanism of political consultations at the level of ambassadors or special representatives, as well as for the creation of a permanent CSCE secretariat. The formation of some sort of security organ is becoming quite realistic—a military-political center with control-verification functions and a center for the prevention and regulation of conflicts.

We hope to conclude the all-European high-level meeting in Paris with a large-scale political document.

Costs, Benefits to USSR of UNESCO Membership

90UF0316A Moscow *IZVESTIYA* in Russian 7 Jul 90
Morning Edition p 5

[Interview with V. B. Lomeyko, permanent representative of the USSR at UNESCO, by I. Ovchinnikova, special correspondent of *IZVESTIYA*, Paris: "How Much Does UNESCO Cost?"; date and place not specified; first four paragraphs are interviewer's introduction]

[Text] UNESCO. . . . On the one hand, this acronym, which signifies an international organization for problems of science, education and culture, is familiar to everyone. In any case, do the newspapers not bristle with reports of the type "Under the Aegis of UNESCO", "UNESCO Conducts Seminar"? But at the same time, stop ten of the first passers-by who happen to come along and ask whether they know what, generally speaking, this very UNESCO engages in, and of what use and benefit these pursuits are to us, the taxpayers. I am afraid that all ten will at first shrug their shoulders and then open their eyes wide after finding out that membership in UNESCO, according to the most modest calculations, costs us \$20 million a year.

I mentally made a simple calculation and it turned out that for this sum 20,000 teachers could, what is more every year, be sent to Paris for a week. What benefit this trip would turn into, how it would circulate in the consciousness of all whom these teachers would teach, most likely, one does not have to talk about.

But this is the narrow view, dictated by considerations of present benefit understood in a simplified manner, with which I was approached by Soviet specialists who are working in the UNESCO Secretariat. Yes, I agreed, all questions which I give you have been dictated by the course of ideas that are inevitable for a person who is worried about how to buy an egg and breakfast, to pledge sugar coupons and to lay in a stock of washing powder. For such a person, you see, it is difficult, let us say, to understand why in the representations of other countries in UNESCO there are 3-4 staff members, but in the Soviet representation—33. Yes, putting down in your mind the sums which the maintenance of drivers, cooks, repair men, etc., etc., costs, you involuntarily begin to incline toward the so condemned "narrow" approach.

This is why, precisely in order not to become a victim of my own narrowness, I asked Vladimir Borisovich Lomeyko, the permanent representative of the USSR at UNESCO, to tell what he thinks about this organization, about its today and tomorrow.

[Ovchinnikova] Vladimir Borisovich, you have been working in UNESCO for a comparatively short time, one does not suspect you of having a special bias toward this institution, and thus, I hope, my questions will not make you angry: You understand that every unsophisticated Soviet person would ask you precisely such questions. To begin with, he would ask you what the expensive membership in UNESCO brings to our country. Only, perhaps, leave out from what you tell us one fact—the watch over the Pacific Ocean organized by UNESCO, how we are receiving all the data collected through a system of satellite communication, thanks to which important ocean maps are being created. I have heard about this at least five times. Perhaps the ocean is the only thing one can present?

[Lomeyko] No, of course. One can present, as you say, the research which UNESCO is conducting in the sphere of genetics. We have fallen catastrophically behind here, and for our biologists it is extremely important to have the opportunity to come here and to acquaint themselves with the latest achievements. And programs in the dissemination of information technology? If we do not take part in it, the already now existing gap will transform itself into an abyss. One can, of course, also name other directions.

And at the same time I understand what worries my fellow-countrymen, I understand that at the present time they need something tangible—something one can touch. For this reason, we have embarked on an undertaking which will unite all people who are capable of sympathy here, and, I think, it will be appreciated in our country.

In May I had a discussion with leaders of the scout organizations about whether it would not be possible to invite a group of children, who have suffered from the accident at Chernobyl, to spend a holiday in their summer camps. The response proved to be even warmer

than I had expected. Representatives of 15 European countries gathered. We consulted with them for a day, discussed all the details, and here 1,235 children, accompanied by 75 translators (these are young graduates of the Institute of Foreign Languages), will spend the summer, first in scout camps, and then 2-3 weeks in families. Imagine what this is: Clean air, clean water, clean food, and the most important thing, clean, unselfish people, ready for real compassion. Besides the scouts, the Fund for Assistance to the Victims of Accidents is taking part in this, and all in all the West is spending 6 million francs—our expenditures are only for transportation. If everything goes without complications, the number of children invited will double in the coming year.

[Ovchinnikova] The undertaking, who will dispute it, is a noble one in the highest degree. But does it not seem to you that it is not quite correct to credit this to UNESCO—sooner this is a question of your personal acquaintances, your ability to eloquently persuade your interlocutor, to attract and to win somebody over to you—an ability you acquired from your past as a journalist.

[Lomeyko] Thanks in a good word, but the international action "Solidarity With the Children of Chernobyl" is being conducted under the patronage of UNESCO, which has supported it from the very beginning. Besides, a big project "UNESCO and Chernobyl" is being developed now. The goal is to attract the best specialists to determine ways to overcome this terrible misfortune of ours. I am convinced that every city should have its UNESCO cell—this structure must permeate the world from top to bottom in the form of UNESCO houses and UNESCO councils. Only in this way, we will, for example, help talented people, regardless of where they live, to go out, as they say, into the world. Is it really not within our powers to equip all sorts of expeditions, such as, let us say, the present-day "Silk Route" Paris-Astrakhan, or to link up all sorts of scientific and cultural societies existing in the country with similar ones in other countries. One cannot neglect a single possibility to unite people, to teach them to cooperate, to act together, when there is a calamity, as in Armenia, or in Iran, or in the same Chernobyl.

Mankind, as has become clear, is indivisible. Somewhere people abuse, let us say, hair spray, or wrapping materials made of non-degradable plastic, and all are affected by the damage. Thus what is needed is a veche, at which words about imperishable values, about conscience, and about the future are heard. Look, the formula of democratic asceticism has already been developed and proposed, which contains a certain "basket" of goods and services necessary for life. It is important to turn to people, having called upon them to give this formula some thought—are we all going that way. And does UNESCO not serve (in any case, should it not serve) as a rostrum from which the best experience and the best ideas are disseminated? This is needed by all, and especially by the poor countries, who are not in a

position either to develop such experience and such ideas independently or to collect the one and other independently.

[Ovchinnikova] You speak very well and simply charmingly, Vladimir Borisovich. But if the benefit which UNESCO brings is so tangible, why then did such countries as the United States and England, which are rich, but at the same time never missed an opportunity to extract something for themselves, withdraw from the organization?

[Lomeyko] Only, please, there is no need to reduce everything to the low effectiveness of UNESCO. It is not always so simple. There was also our sin, the sin of the persistent aspiration to introduce political passions into all and everything. And UNESCO was thought of as an organization standing outside of politics. But there exists, it goes without saying, also what you talked about: Expenditures, alas, incomparable with the return. The point, however, is that it is America, not the Americans, who left UNESCO. The thing is that staff members from the United States (what is more, with very high qualifications) remained in considerable number, and although there are voices to the effect that their work is being paid from the pockets of the UNESCO member states, nobody is in a hurry to part with these staff members. Besides, the United States is taking part in the programs that interest it (well, at least the same ocean about which you have heard so much) and pays for part of them. I would very much like to believe that sooner or later both the United States and England will return to UNESCO. In any case, we, our country, having changed many of our approaches, are doing everything possible to bring this about.

But, it seems to me, there is no point in so exaggerating the problem of the expenditures for UNESCO: After all, its entire budget does not exceed what, let us say, Columbia University spends in a year, and our contribution—the costs of a modern bomber.

[Ovchinnikova] Pardon me for goodness sake, but the budget of Columbia University is of much less concern to me than the estimates of the expenditures of Moscow University. As far as the bomber and everything else from this sphere is concerned, has the time not come at last to put together all these "small" sums and to see whether as a result a large sum is not obtained that would be sufficient for the acquisition of modern equipment, the building of modern schools, hospitals, and libraries, and for the purchase of medicine, which we need so desperately. Understand, it is not that anyone questions the great goals which confront UNESCO. It is simply that the whole time I have been wanting to clear up whether we are living within our means, whether we are not trying to keep up with those who are richer than we are and who for this reason can painlessly permit themselves expenditures that are ruinous for us.

[Lomeyko] Like you, I cannot but reflect on this. And nevertheless, I come to the conclusion: The trouble is not

that we are giving a great deal to UNESCO, but rather the fact that we are taking little from the treasury of world experience and that we are making poor use of it. Endless delegations go, they try to understand, they study—and everything [disappears] as into an abyss. Then the next delegation arrives, and everything starts from the beginning.

But who is to blame that we are not enlisting UNESCO experts? If our country, prior to the approval of the Chernobyl Nuclear Power Station Project, had asked UNESCO to make an independent examination, the tragedy would not have taken place. Perhaps this is the answer to the question: How much does UNESCO cost? And why did no one even once turn to specialists in the sphere of inter-nationality relations? Even now, when we are clearly not coping with the economic reform, try as we might, we cannot repeat what in his time was done by Peter I, and quite recently—by South Korea or Singapore, which scooped up world experience in large amounts. In the sphere of education, for example.

Ovchinnikova But how, forgive me, can one follow these examples if such a tremendously interesting program as the training of disabled children and mentally retarded children are simply unknown in our country for the obvious reason that it has been translated into all languages except Russian, which, by the way, is one of the working languages of UNESCO. What is the sense of sending packages of the programs if our teachers cannot read any of this? When I put this question to Soviet staff members at UNESCO, they responded: It is necessary, they say, to study English. Of course, it is necessary. But in our country the majority of children are taught in rural schools and they receive certificates with lines in the column for foreign language: They did not learn a foreign language, neither well nor poorly, because there was no teacher. How can one not take this into account?

[Lomeyko] I agree, translating the programs developed in UNESCO into Russian is extremely necessary. Only this is sooner the task of our departments, who have their own publishing houses and who gladly send their delegations to UNESCO for the best world experience.

[Ovchinnikova] But it is important—what to translate. You know, in preparing for this trip I read a number of issues of the journal PERSPECTIVES, which is published by UNESCO. Forgive me for the harsh words, but the selection is chatter, the general words are not worth either the allocation of paper on which the journal is printed, or the expenditures of the translation and forwarding. Incidentally, I know a translator of the highest class, who worked in UNESCO for a number of years and retired in spite of the high salary: They will give you 30 pages of unintelligible text, she told me, and I could state it in three words, and even they were superfluous.

[Lomeyko] Well, most likely, that kind of thing does happen, but at present I am aiming for a translation, into Russian, of the "World History of the Scientific and Cultural Development of Mankind." It was published

for the first time in the 1960s in English and French. Now the second edition is in preparation, and I very much wish for some publishing house of ours to include it in its plan.

[Ovchinnikova] And nevertheless, the abstractness from everyday life, the excessive global character—you agree, precisely here lies concealed the reason why UNESCO has become a subject of almost constant critical attacks.

[Lomeyko] Yes, this is the general trouble with many international organizations. It is very difficult to balance questions common to all mankind and exclusively practical ones. But, for example, the American scouts insist that it is necessary for children to be taught how to swim and to find their bearings in the locality. The European ones (their approach is closer to me) advocate that they also be taught the good deed and justice, and these are concepts which are sufficiently abstract, and quite a bit of talent is required to set them forth enthusiastically. Meanwhile, the trouble of UNESCO lies precisely in the shortage of highly-qualified specialists. By our measures, their work is being highly paid, but private firms pay more and therefore attract the best.

At present, we are thinking about how to go over to self-financing, that is to earn money, let us say, for the

research that is being conducted within the framework of UNESCO, for independent expert examination which may be carried out through its specialists. We are contemplating a grandiose television action with the involvement of the best experts in art. In short, we are searching for ways of freeing our countries, including our own, from the burden of expenses. And nevertheless, I very much have the desire for this undertaking not to be reduced only to the fact that it can be measured and counted. It goes without saying, some countries contribute to UNESCO only symbolic sums and receive them back, for example, in the form of stipends. If tomorrow we would declare ourselves to be an underdeveloped country, our dues would at once sharply decrease. But is this not humiliating for the conscience of the people? I have in mind the people which has, in essence, incalculable resources. I would like to believe that we will learn how to use them. But for the time being, we must understand: The kind of money, which it would be a pity to spend to finally realize the great dream of the great Leo Tolstoi about the unification of all with all, does not exist. And it was precisely in his time that the planet was not such a small and defenseless one as now. And in this sense, it seems to me, UNESCO has not yet spoken its final word.

"Myths" Surrounding German Unification Debunked

90UF0275A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 26 Jun 90 p 2

[Article by R. Fedorov, candidate of historical sciences:
"The Myths About a United Germany"; passages in
italics, boldface as published]

[Text] *So many myths surround the issue of German unification. The world public is inclined to believe these myths. Many political leaders base their policies on these myths. It is difficult to believe, however, that an accurate course can be charted on the basis of false milestones.*

First myth. The unification of Germany will satisfy the national aspirations of all the German people. The purpose of this frequently repeated statement is obvious: Who would oppose the will of an entire nationality, divided half a century ago by foreign powers? Who would not sympathize with the grand and noble ideal of national unity? This is how the world public is being emotionally prepared to accept the unification of Germany and to see it as something like an act of supreme justice.

The allegations that all of the Germans, West and East, are in favor of national unification, however, are not based on fact. In reality, no one has asked the Germans or even wants to ask the Germans whether they want to live in a unified state. We do know, however, that after the first months of euphoria, the Germans in the FRG began to view the prospect of unification with mounting anxiety. Polls conducted at the end of May indicated that 60 percent of the West Germans are against unification, primarily because they expect it to have an adverse effect on their economic status.

The wish of Germans in the GDR for unification is considered to be an indisputable fact. First of all, however, this is not true of all Germans. In the elections on 18 March the idea was apparently supported only by those who voted for the "Alliance for Germany"—i.e., 48 percent of those casting a ballot. The actual state of affairs would be revealed by a referendum on three options: unification now, unification in the future, or the preservation of the GDR. This kind of referendum, however, has been avoided. Furthermore, the majority of the people in the GDR who are insisting on a united Germany are not doing this because of noble national motives, but because of much more practical economic concerns. As the German wits say, they were voting for bananas in March, and not for Germany.

People have a legitimate right to want to live better, and this is no worse than national aspirations as a motive for political behavior, but why are the wishes of part of the GDR population of 16 million—even if it is the majority—being portrayed to us as the desire of all Germans for national unity?

Second myth. The 18 March elections in the GDR were supposedly a free expression of the political will of the people, giving politicians a mandate for a united Germany. But what kind of free expression of will could this have been when Chancellor Kohl was openly blackmailing the voters: Choose the CDU [Christian Democratic Union] and you will have money, choose the Social Democrats and...I beg your pardon, did you want something?

We should be wondering why the forces that provided the initial momentum for the changes in the GDR—the New Forum, for example—disappeared from the political stage after the elections. We should wonder why the SPD [Social Democratic Party], which was predicted to win a landslide victory in all the polls, won only 22 percent of the vote. Is it because the Social Democratic promises of freedom and democracy addressed the intelligence of people, while the voters listened instead to those who had money and power in Bonn? The Germans themselves have remarked wryly that they did not elect the SPD because they preferred another abbreviation—DM, the West German mark.

Third myth. The projected extension of the FRG mark to the territory of the GDR will supposedly connect its population with the prosperity of the West. Unfortunately, the most elementary calculations cast doubts on the ability of a currency union to give the citizens of the GDR economic prosperity.

A more probable result is the decline of West German prosperity. The use of the West German mark in the GDR will entail the issuance of 25 billion marks in newly printed West German notes. These billions will naturally rush into the FRG market. People will want good products for their "good" money. This will be all the easier now that West German goods have "arrived" in the GDR trade network, which is no longer ordering local goods. Inflation and rising prices in the FRG are guaranteed.

And what about prosperity in the GDR? The prices of food and housing, especially housing, will climb upward to match West German prices. The citizen of the FRG with an average wage of 2,500 marks pays around 1,000 marks for housing. The citizen of the GDR with an average wage of 900 marks spends 100 on housing. His wages will not rise that quickly. Many in the GDR will face the threat of unemployment because many republic industries will not survive the competition with the FRG.

Fourth myth. The rapid unification of the two Germanys is necessary so that citizens of the GDR will stop moving to the Federal Republic. The newcomers from the other side of the Elbe have become a real problem for the FRG. They are raising housing prices and lowering wages. Oskar Lafontaine, the SPD's candidate for chancellor, had good reason to suggest the restriction of this migration by issuing residence permits only to those who could prove they had a place to live and a job. Could it

be any more obvious, however, that it would be much more difficult to curb migration within a single state? How can the people living in a democratic state be divided into two categories—people from Koeln can come to Munich, but people from Erfurt cannot? Is it not obvious that the argument about stopping the stampede to the West is a deliberate political lie, invented for the purpose of portraying Chancellor Kohl, who hopes to go down in history as another Bismarck, as the defender of the interests of the whole West German population?

Now there is a new variation on this lie: the assertion that the inevitable socioeconomic difficulties in the GDR due to the currency union will intensify the desire for quick unification in the form of political unity, but we should think about this—why would the Germans in the GDR, whose interests would be injured by economic unification, want to stick their heads in the noose?

In spite of this, Chancellor Kohl, who recently admitted that it would be better to hold the all-German elections at the end of 1991, is now declaring that "1990 will be the year of German unity. Its rapid accomplishment will serve the wishes not of politicians, but of the citizens of the GDR." To tell the truth, rapid unification is being proposed by politician Kohl because this will not give the citizens of the GDR time to consider their decision.

Here is what some other prominent West German politicians have to say. Social Democrat Oskar Lafontaine said that "sociological surveys indicate that people in the FRG and the GDR feel that Kohl's timetable is too short, and most of them believe that the present plan for unification is too quick, was approved in haste, and is therefore invalid."

Of course, people could argue that the opinion of Kohl's political opponent could be dictated by campaign considerations, but let us hear what Lothar Spaeth, a prominent Christian Democrat and prime minister of Baden-Wuerttemberg, has to say: "As for the coalition's intention to hold the Germany-wide elections this winter, I think it would be better not to act in such haste...."

In light of this, are we not justified in suspecting the haste and the explanations for it?

Fifth myth. The inclusion of the united Germany in NATO is the only guarantee of control over it. I ask you, does Germany have the special status of a "controlled state" in NATO? I have never heard that NATO controls, for example, England or France. NATO was not even able to curb the conflict between two of its own members—Turkey and Greece. NATO is a voluntary alliance. When France decided to withdraw its troops from the NATO armed forces, no one objected. Will the FRG not be able to take this kind of action? And if it will, then what kind of control are we talking about?

The issue here, of course, is something else. The United States believes that it controls the FRG by stationing its 7th Army on FRG territory. The Germans' membership

in NATO gives the Americans the legal right to do this. Soviet policy is not aimed at pushing the United States and its 7th Army out of Europe, but let us call a spade a spade: This is not a matter of NATO's control over Germany, but of the special nature of American-German relations.

The myth about the general value of the NATO membership of the united Germany is also being substantiated "from the other end": If the united German state were to remain outside the blocs or, God forbid, were to be neutral, this would pose some kind of express threat to Europe. Some people feel that a state with a population of 80 million could not be neutral anyway, as if neutrality is some kind of spatial unit that will accommodate 7.5 million Austrians or 8.5 Swedes, but does not have enough room for 80 million Germans.

They say that neutrality will put the united Germany in a subordinate and humiliating position, just as after the Treaty of Versailles, and that this could strengthen the radical right wing. In short, they are hinting that this will give rise to a new form of Fascism.

A neutral Germany, however, would be an autonomous country. Furthermore, according to the American weekly TIME, "the Germans themselves are leaning toward neutrality."

The unacceptability of the united Germany's membership in NATO for the Soviet Union is dictated by historical experience. It is also clear that unification cannot and must not be accomplished in haste. It cannot be done until there is a satisfactory solution to the problem of the security of the Soviet Union and all of Germany's neighbors.

A recently published study by the Hamburg Peace Institute justifiably points out the fact that "it is understandable that Western security interests would be served by this expansion of the territory and population of one of the members of the alliance, but NATO's gain would be a loss for the other side—for the Warsaw Pact."

Of course, there are more myths surrounding German unification, but the important thing is clear: One of the major European events of the late 20th century is being handled in a manner arousing suspicion. Instead of a merger of the two Germanys, the absorption of the GDR by the Federal Republic is being vigorously promoted. This is a matter of annexation, of *anschluss*.

The future of European unity, if not European stability, will depend on the manner in which the Germans exercise their right to self-determination. The creation of a united Germany could be part of the unifying process in Europe if it is conducted in a genuinely democratic manner, with consideration for the interests of all countries involved in the process, and these certainly include the Soviet Union. Otherwise, there is a great danger that the very foundation of European unity and all of its prerequisites will be destroyed and that

national egotism, relentless confrontation, and the inability to sympathize with the concerns of others will prevail on the continent.

If we must look for historical parallels, we should recall the trouble Europe suffered as a result of the method employed in the unification of Germany in the 19th century. The seeds Bismarck planted grew into monstrous plants in two bloody world wars....

This is why it is not the future Germany that has to be kept under control, but the process of its establishment, and it needs to be controlled less by outside forces than by the parties involved in the process. They have already missed many opportunities. At each successive cross-roads, the most dangerous road was chosen. It is time for responsible action. It is time to stop inventing myths and using them to justify an inherently devious policy.

Two Views of Soviet-Polish Trade Relationship

Poland Deputy Foreign Trade Minister
90UF0230A Moscow EKONOMIKA I ZHIZN
in Russian No 23, Jun 90 p 19

[Interview with Daryush Ledvorovskiy, Polish deputy minister for foreign economic cooperation by Igor Galkin: "USSR-Poland: Difficult Dialogue About Cooperation"]

[Text] Materials have appeared in the Polish press from which it follows that the Soviet Union must take upon itself the basic expenses in improving foreign economic ties between Poland and the USSR. The competence of a number of inter-government economic agreements concluded previously is being questioned and the repayment of the debt to the Soviet Union that has accumulated in Poland for credit from the difficult years of economic crisis is also being questioned.

At the request of our weekly, TASS correspondent Igor Galkin spoke on these subjects with Daryush Ledvorovskiy, Poland's deputy minister for foreign economic cooperation, which we are publishing below.

[Galkin] How do you, mister vice-minister, assess the current situation in our mutual trade?

[Ledvorovskiy] The last year of a five-year trade agreement, which as we know was developed on the basis of old principles and approaches, is coming to an end. But today both Poland and the Soviet Union live under totally changed conditions. It is not surprising that difficult problems have come to light in this regard. For example, this year we have been forced to decrease our export of machinery and equipment to the Soviet Union by 60-70 percent—to provide deliveries worth 1.6 billion rubles. The reason for this is that mutual deliveries must be balanced in cost and the cost of Soviet goods has decreased in recent years because of the drop in world prices for fuel and raw materials. This has made it necessary for us to decrease our shipments. In general we could export more to the USSR, which our enterprises are trying to do, but the Soviet side does not agree to quantitatively increase its export over the figures agreed to in the five-year agreement.

[Galkin] Poland has a considerable debt to the Soviet Union. Couldn't you begin to repay it by increasing your exports to our country?

[Ledvorovskiy] Let me remind you that Meissner's government received an agreement from the Soviet side to postpone the payment of the debt to 1991, and the government of Mazowiecki has made a proposal to begin repaying the debt in 1995.

These questions are related to the Polish government's entire economic program. We must keep in mind that this year for the first time in 8 years we will have a negative balance with regard to countries with a convertible ruble. For this reason already in 1990 Poland will

receive aid from the West in the form of credit or of being forgiven debts totalling about 2.5 billion dollars. Here a question arises: How can our country begin repaying its debt to the Soviet Union when at the same time Western countries are Poland of the responsibility of repaying some of its debts or of interest for credit given to it at one time?

It is also evident that the curtailment of Polish exports of machinery and equipment and of cooperative ties is not in the interest of either Poland or the USSR. For our country this means the closing of enterprises and an increase in unemployment. This is why we are trying to find a compromise that will expand rather than narrow the possibilities for cooperation.

[Galkin] What is your attitude toward the introduction of accounts in dollars according to current world prices?

[Ledvorovskiy] Poland is interested in making a transition to this mechanism. However, the Soviet Union's CEMA [Council for Mutual Economic Aid] partners will suffer losses as a result of this in the near future. Such a transition will be fairly costly for Poland. We would like to make the transition to new accounting in stages.

This problem is being examined by an intergovernment commission. One of the results of its work was the proposal to introduce clearing accounts, this year encompassing 10-15 percent of the total trade turnover between the two countries. Certain groups of goods have been named for this purpose, which enables enterprises to carry out accounts freely, and clearing accounts—in dollars. This is a very important experiment.

Although clearing does have its shortcomings, there are also advantages, which are utilized, for example, in Soviet-Finnish trade. One of clearing's main advantages is the guarantee of stable deliveries. This is why we are interested in continuing Soviet deliveries of raw materials important to Poland in the future within the framework of clearing operations, and we would like to pay for them with goods that your country needs. In other words, we would like to retain a certain part of the turnover under clearing conditions. In the future this exchange could be decreased so as to finally make the transition to current accounts based on cash-in-hand.

[Galkin] At a CEMA conference in Sofia it was suggested to the Soviet side to devote this year to developing new mechanisms of interaction in order to next year make the transition to them. In your opinion is this realistic?

[Ledvorovskiy] In Sofia we too did not object to the transition to accounts in convertible hard currency, but we proposed that this process be carried out in stages and that we secure ourselves with certain "amortizers." The fact is that with new accounts for its traditional goods to the USSR Poland will receive, as Soviet and Polish experts calculate, about 1.5 billion convertible rubles fewer than before. For this reason we propose that both sides cover the losses equally. In other words, we would like to introduce an "amortizer" into operation with

which Poland would bear half the losses and the Soviet Union would retain only half of the increase arising from the new accounting system. After all, we together are at fault because as CEMA members we in our time adopted the present system, which is now condemning us to losses. It would be logical if together, as partners, will share the losses as well as the advantages.

[Galkin] Today in Polish administrative circles a great deal is being said about the need to reexamine Poland's debt to the Soviet Union. Can you tell me what reasons there are for posing this kind of question?

[Ledvorovskiy] Our new government interprets the debt somewhat differently than it was seen up until now. The fact is that for over 10 years Poland participated in building objects for the extraction, processing and shipment of natural raw materials in the USSR. The specific feature of the project was that prices for our building services were based on Soviet estimates and were an average of threefold lower than prices for Polish services in other countries. Our accounts show that if prices then were established according to world levels, Poland would have received a greater payment for its building services. We feel that such Polish losses in the USSR are equal to our total debt to the USSR—approximately 4.5 billion convertible rubles. So this is not our debt but simply your underpayment.

I would like to say immediately that this is a difficult question. It is true that agreements were signed. But I would like to remind you that there were obligations on the Soviet side related to these structures. The obligations had to do with additional deliveries to Poland. In many cases we actually received additional raw materials. But as concerns Yamburg, the Soviet side is ready to provide only the regular level of gas deliveries to Poland and no more during the next five-year plan. Additional losses experienced by us are not covered by additional gas deliveries. For this reason a great deal is being said in parliament and much is written in the press; there is a great deal of emotionalism attached to this issue. This is a unique problem area in our economic relations with the Soviet Union. Negotiations are being carried out now.

Whereas previously political factors could mitigate similar problems under slogans of friendship, at least externally, now the economic conflicts are more evident. We are beginning to speak a business language. But I do not want to dramatize the situation. It is important that we remain neighbors. Our economies are tied to each other and we will trade with each other.

[Galkin] We are speaking not only of common interests but also of trust. What will happen if the Soviet side begins to look in the past for lost opportunities and on this basis to reexamine government agreements? How should we view the implementation of agreements and contracts that are still in effect today?

[Ledvorovskiy] We want to carry out intergovernmental agreements, but new negotiations are necessary.

USSR Trade Representative

90UF0230B Moscow EKONOMIKA I ZHIZN
in Russian No 23, June 90 p 19

[Commentary by Georgiy Sergeyevich Shchukin, USSR trade representative in Poland: "Commentary by a Soviet Trade Representative"]

[Text] A TASS correspondent has asked Georgiy Sergeyevich Shchukin, USSR trade representative in Poland, to express his opinion on the same points of Soviet-Polish economic cooperation.

Trade and economic ties between our two countries, played, are playing and will play a very large role. In the course of many years of cooperation between our countries an excellent infrastructure has been created, into which both countries have put considerable resources, including a wide-track railroad, oil and gas pipelines, compressor stations and staging posts. Last year common trade exchange between us comprised over 13 billion rubles. Under conditions in which in both countries thorough economic reform is being carried out a certain decrease in trade is unavoidable, but everything possible should be done to make sure the decrease is not too great. Mutual trust is also needed for successful trading.

Today in the Polish press there are many statements that claim that our trade is advantageous only for the Soviet Union. Various examples from the past are brought out as proof. In truth in the past there were considerable shortcomings in our business relations, especially in the area of prices and price formation and in the practice of using the exchange ruble, which being only an accounting unit, allowed us to depart from world prices. Under condition in which there were no objective criteria, complaints arose from one side and from the other with regard to losses due to unjust prices. But if we look at the entire picture we can see that these losses were compensated for equally. When during the 1970s prices for petroleum and petroleum products rose rapidly on the world market, within CEMA an ordinary mechanism was developed—the price was established on the basis of the preceding 5 years. As a result, the price for Soviet oil for Poland and other CEMA countries was much lower than world prices, saving them tens of billions of rubles. When world prices dropped, the 5-year average turned out to be higher than world prices. But prices for machinery and equipment being delivered to the USSR were increased, which equalized losses for the Polish side and yielded certain advantages. I repeat, in general one compensated for the other and there were no complaints one against the other.

It is important for us to clarify that today we cannot state definitively who lost more or who acquired more—the USSR or Poland. We won't mention today the free aid and advantageous credit which was given periodically to Poland by our side. I will note that we postponed

Poland's debt payments in convertible rubles for 5 years. The payment of 1.6 billion dollars in credit debts has been postponed 10 years.

Today our goal is to develop a new mechanism for cooperation. At a CEMA session in Sofia we proposed to carry out accounts according to current world prices in hard currency. These are the only objective criteria in assessing trade. It is true that this transition to accounting in freely convertible hard currency is related to certain difficulties and this causes anxiety in our partners. If Poland wishes we are ready to conclude a long-term agreement and to sign yearly protocols so that our partners are certain that we will deliver those goods that they need for the development of the national economy and for supplying the population. The Soviet Union is ready to examine measures to mitigate our partners' temporary difficulties. Perhaps we can spread out over a certain period the debts that are unavoidable with the new accounting system, or accept repayment not in dollars but in the form of goods for a certain period of time. We are ready to examine the stage-by-stage transition to new accounting, to introduce a dollar clearing, for example, in order to exchange certain goods according to protocol, and then at the end of the year to carry out the conversion and to pay the difference either with goods or with convertible currency. We feel that this kind of approach is advantageous both for us and for Poland.

However, the Polish side proposes that we refuse a part of the advantage that will potentially be created with the transition to a new accounting mechanism. But when Poland received its advantage in the prices that are still in effect, this was considered part of the order of things probably because it was at our expense. Now Poland is proposing that we share "equally."

The essence also lies in the fact that Poland today pays 96 convertible rubles for a ton of Soviet oil. In convertible currency a ton of oil costs 120-130 dollars. The exchange rate of the Polish zloty is such that one convertible ruble equals 2,100 zloty, and one dollar—9,700 zloty. If we convert the dollar price of a ton of oil into the zloty price it turns out that its purchase for convertible rubles is cheaper by a factor of 6 than in dollars. If we consider that each year we supply Poland with 13.5

million tons of oil it is not difficult to calculate the advantages that the Polish side has and is utilizing.

In making the transition to world prices, we are reestablishing fairness and objective price relations, which is what we have all been striving for and which is becoming a practice. But even according to world prices it is more advantageous for Poland to receive its oil from us than from other distant countries.

Completely unexpectedly in the course of discussions the Polish side expressed the assertion that Poland has suffered greater losses in the building of the Yamburg Gas Pipeline. Yet the Yamburg Gas Pipeline was built at the request of CEMA countries with the goal of increasing natural gas supplies from the USSR. Poland and several other CEMA countries signed the corresponding agreements. In payment for participation in the building, the Soviet Union is supplying Poland with natural gas.

Today the Polish side is saying that the Soviet Union forced it to build this pipeline and because of it Poland is suffering losses. And because of this, it says, the Soviet Union must write off debts for Poland in convertible rubles as regards the credit that was extended previously.

Negotiations and the search for ways to improve cooperation are in progress. However, this process should not be interfered with by the noisy speculation that is constantly in today's Polish press. The reader is always being thrown some kinds of "calculations" that show that cooperation with us is a losing proposition for Poles. The groundwork is being laid to later refuse to pay their debts.

Recently another campaign has developed—to provide reasons why the USSR should pay "some kind of compensation for the forced labor" of Poles on the territory of the USSR during the years of the Second World War. Is it right to make such demands of a country that freed Poland from Hitlerism, which threatened Poles with physical extermination, and that lost over 600,000 of its own sons on Polish soil as it brought freedom to all of the peoples of Europe? Such complaints make difficult the process of looking for the development of cooperative business partnerships.

Yet I am sure that our countries will find mutually-suitable solutions that will facilitate further development of bilateral economic ties.

Continued Assistance to Developing Countries Supported

90UF0228A Moscow PRAVDA in Russian 7 Jun 90
Second Edition p 7

[Article by K. Khachaturov, Chairman of the Soviet Committee for Solidarity With the People of Latin America: "It Does Not Have to Do With Poverty"]

[Text] Today one often hears, including from the highest rostrums, debates about the fact that one of the main reasons for our economic worries has to do with our "feeding" a number of countries. From the speeches of some of our USSR people's deputies some might even draw the conclusion that to reestablish balance in our consumer market all we have to do is eliminate non-equivalent commodity exchange with developing countries, and in particular with Latin America. These kinds of ideas with no basis in fact unfortunately contribute to the development in public opinion of an idea of the possibility of finding some kind of magic potent for solving our economic difficulties. Is this so? Let us look at the facts.

The extent of the debt of 49 developing countries to the Soviet Union equalled 42 billion rubles at the end of last year. Of these the debt of three developing countries in Latin America comprises less than 1.5 billion rubles. We should not forget that we ourselves owe 40 billion rubles, and moreover in convertible rubles and not in "wooden" rubles that are fictional for the world market, and which materialized in this amount in military deliveries and non-competitive industrial goods.

In speaking of the need to curtail or to fully stop Soviet aid to other countries we are revealing a sad phenomenon that is very uncharacteristic of all of our history and of the spiritual makeup of our people, who are used to understanding human justice and dignity. We find it normal to donate many millions abroad and we expect international solidarity in response to our national calamities—the accident in Chernobyl, the earthquake in Armenia and the railroad accident in the Bashkir ASSR. Moreover, we readily accept containers with disposable syringes and artistic treasures, a check for 1 million American dollars or a batch of used Japanese motor vehicles from foreign governments, organizations and private individuals. Then why do we ourselves have to turn away from philanthropic actions?

Under conditions of a crisis economic situation even the smallest good-will gesture on our part has begun to be considered almost in bad taste. The Soviet Committee for Solidarity With the Peoples of Latin America and the Soviet Peace Fund have sent modest New Year's gifts to Nicaraguan children. Our press was silent about this so as not to "upset our people." After the American intervention in Panama we planned to send symbolic humanitarian aid to the Panamanians—tents, blankets, bandages. Again the warning voice said, "Don't aggravate the people, they themselves do not have enough."

We started to talk about morality in politics. What moral principles can we discuss if we feel it is in the order of things to receive aid from across the ocean while not sacrificing anything ourselves? People point to our poverty and foreign riches. But the hands of aid do not reach out to us only from money-bags, and they are governed by the norms of human solidarity through the experience of human civilization and often through Biblical law.

The code of the double standard "for us and for them" and the secret motto, "receive but do not give in return" is most destructive to the receiver because it develops a public psychology of national egoism, spiritual decline, or a complex of not complete self-worth, if you will. These characteristics were never even a minor part of the collective portrait of our people and their history.

People of the older generation were raised on the romantic image of the Svetlovsk cavalryman who "left his hut and went to war in order to give the land in Grenada to the peasants." At that time the revolutionary dawn of the international proletarian brotherhood prophesied a universal purging fire, the rapid demise of capitalism, the dissolution of border crossings and the erasing of national boundaries. It is appropriate to mention that at that time our national nihilism planted the seed of thoughtless state building that decades later yielded poisonous shoots of ethnic crises.

Uncompromising, ascetically-inclined ideologies that confirmed socialist justice on the entire planet based on the principle of the cavalry attack and the pioneers of the new social structure saw a bipolar world in two mutually-exclusive colors. Or, in accordance with the humorous Chekhov classification, all society was divided into blonde friends and red-haired enemies. The social variety of the modern single and interrelated world and the confirmation of the priority of common human values as the epitome of national values in conjunction with the need to deideologize and humanize inter-government relations are transforming the destructive demand, "Either we or they!" into its constructive opposite, "Both we and they!" Let the blondes, the redheads and the albinos all exist.

It seems to me that those who deny the actual vitality of international solidarity as well as those who metaphysically see it as a stagnant dogma with a utopianism that is inherent in messianic movements are incorrect to the same degree. Our contemporary interpretation of solidarity with the people of foreign countries combines a respect for their sovereignty with a recognition of their right to select their path of social development. Within this context it is just that the draft Platform of the CPSU Central Committee to the 28th party congress is integrating with our long-term political course a solidarity with peoples and governments that are defending their independence against any interference from outside, and is justifiably verifying that the Soviet nation has become the support of many peoples in their struggle for national liberation.

Today as never before the triad consisting of the homeland, the Soviet federation and the world are dialectically

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interrelated. For this reason the resolution included in the draft Platform of the CPSU Central Committee about the fact that a sign of the health and vitality of the people is its historical consciousness and patriotism, which in our conditions is unacceptable outside of internationalism, is justified. Here internationalism in the name of harmony in inter-ethnic relations and the qualitative improvement of the Soviet Federation are closely linked to the internationalism that is addressed to the outside world.

Solidarity on an international level is changing radically. Socialist internationalism is decreasing the sphere of its

operations and changing its forms and methods. The euphoric solidarity of the past in the "third world" that involved libertarian obligations, sometimes irresponsible actions and wasteful expenditures for the sake of the survival of the regime which had proclaimed itself to be progressive is giving way to a sober assessment of both our possibilities and of the real intentions of specific countries.

International solidarity is a rapidly-moving process. It requires scientific analysis, daily attention, a competent response, and creative practical action in the interest of both parties.

USSR's Position in World Economic Ranking Examined

90UF0308A Moscow *IZVESTIYA* in Russian 5 Jul 90
Morning Edition p 5

[Article by M. Berger: "At What Level the USSR Stands in the Economic Ranking Table"]

[Text] Today's generation of Soviet people remember the popular slogan, "We will catch up to and surpass the United States of America!" There were even machine tools that were called "DiP," which was supposed to stand for the words "dogonim i peregonim" [catch and surpass]...In the late 1950s scholarly books began to appear with seemingly neutral titles such as "Economic Competition Between the USSR and U.S." A little later, in the early 1960s scholarly works began to be sold, the titles of which were to allay any doubt—"The U.S. is Losing the Economic Competition," and so on.

Is it possible that at that time to some people it seemed that just a little bit more and we would leave the "locomotive of imperialism," the U.S., far behind?

How does this competition look today from the heights of present sober approaches and assessments? What are their intermediate results and prospects? How do the economies of the two great powers really relate to each other? A Soviet-American conference organized in Washington by the American Enterprise Institute was devoted to these problems. It was called, "Comparing the Economies of the USSR and U.S.—Production, Consumption, and Military Expenditures."

A sober and honest look at this "competition" is also important because today our society must finally determine, and not in word but in deed, whether or not it is moving toward a market economy.

The former Soviet, and since 1974 American economist, I. Birman, one of the more active participants in the discussion, wrote in the early 1980s in his book "The Economy of Shortages" (about us, of course) on a subject that interests us: "According to simple calculations based completely on official statistics, the USSR will catch up with the America of 1976 in 81 years in meat production, in 62 years—in fruit production, in 100 years—automobile production, in 150 years—housing, 130 years—telephones, and 260 years—highways. It will catch up if the pace of growth at least remains the same, of which there is very little hope."

The comparison is dumbfounding but probably today not everyone by far will see it as fantastically unrealistic. At that time I. Birman was almost alone in asserting that the Soviet Union would not catch up to the U.S., and would fall behind. His assessments simply were not accepted, and not only here, which is completely natural, but over there as well. According to his calculations it turned out that both the TsSU [Central Statistical Administration] and TsRU [CIA] elevate the volume of Soviet production by a factor of more than 2.

It is said that life is what we think it is. It is possible that this is so, but it would not be bad to add that life is also what we know about it. If we agree with this, then we must be prepared to subordinate ourselves to one simple law—the less we know, the easier it is to think about life in the superlative or any other way—the main thing is that the space that opens up is unbounded. But the reverse is also true—the more we know about the real situation the less place there is for "freethinking," for prescribing for oneself or those around one the given or desired parameters of existence. Then all that remains is to decide one simple question—do we want to know about life as it really is, or shall we assign it features through the flight of thought and by other related means?

USSR Goskomstat annually carries out the international comparison of over 200 countries on the basis of several hundred natural and cost indicators. And it always turns out that we are not too far behind the U.S.; yes, in per capita meat and fruit by a factor of 2 (but not by 80 years). However, in pace of growth of national income both the U.S., the FRG and, let us say, France, lagged behind us in 1980, in 1987 and in 1988. And in number of apartments built we simply have had and have no equals in the world. But an interesting riddle develops. According to official data we are always growing faster than the Americans, but the gap in the total volume of national income is not closing. In 1970 our national income comprised 65 percent of American national income, 10 years later—67 percent and in 1986 and 1988—again 64 percent. The CIA has made a more modest assessment during this time but as a rule the argument has been over a few percentage points.

I. Pogosov, first deputy president of USSR Goskomstat [State Statistical Committee] (who during the discussion, we must emphasize, represented not the department but himself personally as a scientist-analyst; other participants in the Washington discussion from our side as well as from the CIA, Pentagon and other influential "firms" spoke under the same terms) in his report explained the multiplicity of assessments by methodological difficulties, by the one-sided accounts without the participation of experts from other countries and by the inadequacy of the information base. (Translated into layman's terms the latter thesis has in mind our internationally-known secretiveness, which does however have deep historical roots. One of the reports about the size of Soviet military expenditures, which was discussed at the conference was anticipated by an epigraph from Klyuchevskiy: "We have become accustomed to...the masked action of the military-government machine. When we meet a marching batallion on the street we do not know how to say who of our fellow citizens paid for his full-dress uniform and arms and where the batallions, full-dress uniforms and weapons paid for by us are now marching" (Works, volume 7, p 327)).

We do not have to agree with Goskomstat's assessments, but it is difficult not to agree with the explanation of the reasons for their "multiplicity." We must look for mutually-recognized accounting methodology, expand

open statistics and cooperate. Thanks to the organizational efforts of the American Enterprise Institute, an independent private organization, for the first time in history people from the CIA and Soviet experts, including from Goskomstat, have gathered together to try to independently compare the economies of the USSR and U.S.

As has already been noted, each participant in the discussion represented himself personally and was not tied to the assessments and conclusions of the organization or scientific center in which he worked. In this way we could assume that to a certain degree one-sidedness of account-keeping could at least temporarily be eliminated. As for methodological problems, they did not decrease. On the contrary during the conference representatives of both sides asked the question more than once: In principle is it possible to correctly compare two such different economies?

The question is not far-fetched by far. One of a few scientists in our country who deals professionally with comparisons, Doctor of Economic Sciences A. Revenko, noted that for a comparative evaluation of machine-tool building products he did not find irreproachable analogs. The only truly same product was mercury thermometers. How do we compare a production group if on the average the American "production store" has about 30,000 types of goods whereas in ours, as Revenko said, even in the best of times we cannot count more than 200.

Of course it is possible to compare pace of growth of capital investments (which Goskomstat does regularly) with a high degree of authenticity and to be pleased that we spend resources more energetically than the U.S., by more than 30 percent, and that we surpass it in general volume of goods turnover with a significantly smaller production volume (in other words to consider not increased weight but the number of approaches to the crossbar of the goal as an achievement). But our economies work too differently and produce different things, even if we do not look at the problem of quality.

How do we compare the American quantity of underground garages, automobile service stations or radio telephones with their practically complete absence here? How do we compare the underground economy if in the States any activity is called this if income from it is hidden to avoid paying taxes, and in our country—it is we do not know what, or any figure expressed at the meeting? How do we take into account losses, which in our agriculture are on the order of 30 percent? What about fraud? Do official Soviet statistics make the corresponding corrections? No, they do not. Moreover, the majority of losses are written off as production expenditures and therefore elevate accounting volumes. This was pointed out by Professor A. Volkov.

Ya. Vinetskiy, professor at Catholic University in Lublin, was more specific in this area. Fraud "from above" as well as "from below" distorts the true picture of the Soviet economy until it is unrecognizable, with account

figures being more important than actual results. In other words, until the Soviet Union has a market it will be extremely difficult to compare its economy with others.

As it turned out, the organizers of the discussion set themselves a difficult task, the development of which resulted not in the recognition of the correctness of the CIA or Goskomstat but in an understanding of the need to assess, even at least approximately, how incorrect current assessments are.

The conference coincided with the appearance of the book, "The Impoverished Superpower," [*"The Impoverished Superpower/ Perestroika and the Soviet Military Burden*] published by the California Institute for Contemporary Studies. The book was prepared under the general editorship of H. Rowen [Henry Rowen], U.S. assistant defense minister and former director of the National Council for Disarmament, and Ch. Wolf [Charles Wolf, Jr.], former chairman of the political science division of the Rand Corporation. Both of them participated in the present discussion.

The main conclusion of the collection, consisting of articles by well-known Western Sovietologists, is that the U.S. has overestimated the industrial potential of the USSR and at the same time has underestimated the scale of Soviet military expenditures. On the basis of data on military reconnaissance and Soviet sources it concludes that the USSR's gross national product (GNP) comprises only one-third of the U.S. GNP, but that military expenditures eat up 30 percent (in the U.S.—6). All of this is significantly different from CIA data, which indicated that in 1985 the USSR GNP was 55 percent of American levels. It is curious that in the book attention is focused on the fact that the Soviet administration preferred to orient itself toward data from Western reconnaissance rather than its own data. A. Aslund, professor at the Stockholm School of Economics, in his article noted that the elevated assessment by the CIA became one of the main reasons why Western specialists were not able to predict and understand the true striving toward economic reform on the part of the majority of Soviet leaders.

But even these severe assessments of the relationship between the two economies literally faded on a background of conclusions presented by the majority of discussion participants. Moscow professor V. Belkin gave the lowest assessment of our GNP in comparison to the American—14 percent, which in all honesty somewhat shocked a part of the auditorium, both American and Soviet. But even those who disputed this figure did not raise it above 30 percent. And if we consider that our country is supporting military parity, then what part of the economy is working on defense?

In principle to console ourselves we can say that the conference was a peculiar disgrace of the CIA, the guilt of which was actually established in years of inflating figures on the Soviet economy. A single conclusion was

not reached about why this was done, but the idea that our power was elevated in order to pump money for military expenditures in the U.S. was noted as without grounds both by Soviet and by American scholars. G. Shroeder, who worked in the CIA for many years tried to explain: Last year the agency again assessed the relationship and agreed on 47 percent. However, not one of the participants in the conference accepted this figure. Finally G. Shroeder expressed in despair, "I will never again be involved in international comparisons! This is terrible!"

V. Se'yunin proposed a simpler system of proof. Let us say that the exchange rate for the ruble as compared to the dollar is 1:1, and on the basis of this clearly elevated exchange rate let us compare the volumes of the annual GNP of the two countries. Here it is about 900 billion rubles, and in the U.S. it is about \$ 5 trillion. Where is the half here that the CIA and Goskomstat insist upon?

Yes, it is not easy to accept all of this. If we agree it will turn out that I. Birman, almost alone many years ago, was not that far from the truth when he wrote how many decades behind America we are. Then we will have to agree with a different place for our country in the international table of economic rankings—farther from the U.S. and closer to countries such as India. It is difficult to agree with all of this because then we will have to admit that the poverty line in our country passes through the USSR's national boundaries. But perhaps this is still not so—after all, the conference is a private one and its conclusions are not mandatory for official statistics.

Can we consider "competition" to be over? Yes and no. We did not surpass or even catch up with America, but in this competition we also can claim a victory—a victory over our prejudices and over our ideas about life, which is still that which is and not that which we think it is.

Role Of Joint Ventures, Foreign Capital In Soviet Economy Assessed

90UF0364A Moscow *IZVESTIYA* in Russian 14 Jul 90 Evening Edition p 2

[Interview with Yu. M. Arskiy, Chairman of the USSR State Planning Committee State Expert Commission, by *IZVESTIYA* correspondent Ye. Manucharova: "What Will Joint Enterprises Bring The Country—Wealth Or Ruin?"]

[Text] The USSR State Planning Committee has a division known as the State Expert Commission. Its task is to provide comprehensive assessments of the most important national-economic projects. The SEC can be proud of the independence of its conclusions. Its staff members and the scholars it enlists evaluated the "projects of the century" (including such projects as the river diversion and the Volga canals!) from a strictly scientific standpoint. And they did not modify their views on orders and shouts from above.

In 1988, the Leningrad scientist Yu. M. Arskiy became head of the commission. Today, in light of perestroika, the range of questions the SEC studies has widened. It includes, among other things, the problem of joint enterprises, which is of interest to many. What is the SEC's view of them? An *IZVESTIYA* correspondent spoke about this with Professor Yu. Arskiy, Chairman of the SEC and senior economic adviser to the UN's Economic Commission for Europe.

[Manucharova] Yuriy Mikhaylovich! Your council of state experts systematically reviews the plans for major joint enterprises. Can we expect that joint enterprises will be able to orient our economy toward the world market? How do you view the hopes we have for them?

[Arskiy] First and foremost, joint enterprises are essential. There are many difficulties and complex problems that cannot be sorted out and solved without enlisting foreign capital and foreign production experience.

But we must draw a distinction here: The tasks joint enterprises with which are charged is one thing, reality is another. The tasks are formulated in the laws and statutes on joint enterprises. They are to increase foreign currency receipts, to more fully meet the country's needs for manufactured goods, raw materials and foodstuffs, to provide import substitutes, to expand exports, to obtain managerial experience, and to obtain new equipment, technology, and know-how. This is a real opportunity to participate in the development of the world economic community. Such are the objectives. They must be achieved. But the process itself of establishing joint enterprises is proceeding with difficulty and, in some instances, with the paradoxes characteristic of our country.

Let me first discuss the joint enterprises that, in my view, we need most of all. They are the ones that operate on the territory of our foreign partners. They are the most promising, have the best advertising, and constitute a wonderful school in entrepreneurship (since these joint enterprises operate in a world in which they must compete to survive). But there are very few of them as yet.

A significantly larger number of joint enterprises operate on our soil. Their organizers, risking their own (individual or group) property, have been able to provide their foreign partners with sufficient guarantees. These enterprises (when they comply with social and ecological norms) must be given the green light. Not everything is going smoothly for these small joint enterprises as yet, but their place in our life is understood: They will operate normally under market conditions, when the market takes effect. The situation is significantly more complex with the giant joint enterprises...

[Manucharova] And yet it is precisely the giant ones that have us all excited.

[Arskiy] There is such excitement in the ministries and departments. Those who intend to create or will head the new giants are the ones most subject to euphoria. The

government is currently being flooded with proposals to set up joint enterprises on the basis of state enterprises that already exist or are under construction. The proposals call for very large-scale use of our national natural resources and the large-scale construction of new facilities, which entails the use of state resources and credits. This area is the most crucial one. And the one that prompts the greatest concern.

[Manucharova] Why? Can it possible be that the various departments' top officials will merely put up a new sign but in fact remain monopolists? That they will perform just as inefficiently under the new (or supposedly new) arrangements as they did before?

[Arskiy] There is a danger that the joint enterprises will have untrained personnel. Major changes are taking place in the managerial system, and specialists are looking for a way out, hoping to find a place to apply their talents in the sphere of international cooperation. Unfortunately, among them are quite a few who have failed to cope with simpler tasks—in the domestic economy. Even so, they aspire to more complex tasks. It's as if a student incapable of elementary arithmetic were to try to pass an exam in differential calculus. The ambition and persistence of such aspiring businessmen and international strategists pose a serious danger. In their impatient desire to make big profits out of nothing [besplatno], and without having acquired the necessary economic knowledge, they are prepared to continue risking the state treasury and the birthright of our descendants.

I speak with such conviction because I am familiar with many projects. In the past few years, the SEC has been rather actively involved in analyzing materials pertaining to various areas of foreign economic activity. Having examined the plans for joint enterprises that aspire to the use of state material and natural resources, we have determined that the total waste (sums the projects' authors have asked for without justification) exceeds 100 billion foreign-currency rubles. Such projects are usually drawn up deep inside the ministries and pursue departmental interests.

[Manucharova] Does this mean that instead of attracting as much foreign capital to our economy as possible, we could end up losing our own capital?

[Arskiy] Yes. The project authors have no desire to understand that the state budget is strained beyond capacity. The giant swell of requests for state funding for more and more joint enterprises threatens to capsize an important endeavor. That endeavor could founder on account of haste and incompetence. I would like to be correctly understood: Right now it is important to identify the negative aspects and to keep mistakes to a minimum. We need to wait a bit with the triumphant fanfare.

The already difficult process of joining forces with foreign enterprises is further complicated by the process of the country's transition to the market. This transition

is unique to the world economy. For in all other countries, the market has arisen from the bottom up, so to speak. There entrepreneurs became millionaires after getting their start in small business, where the initial risk is negligible. For us, on the other hand, the reverse is true: The market is being introduced from above. And those who will work in it are people who have gained the right to work with major assets right off the bat, as though they have inherited a millionaire's wealth. The unstable economic situation is prompting people without business experience to take unwarranted steps. As a result, we could lose billions on account of a small group of people's pretensions to millions.

[Manucharova] I'm going to ask you a question for which I should perhaps even apologize. We are constantly talking about joint enterprises, joint enterprises. But just what is a joint enterprise, properly speaking? From a legal and economic standpoint?

[Arskiy] There is a general statute that spells out the essence of the form of business partnership known as the joint enterprise. It is an association of entrepreneurs that is aimed at achieving some common objective.

Joint enterprise status confers the following obligations on the parties: to put up a substantial contribution (in the form of capital, technology, marketing experience, personnel, or various assets) and to share responsibility, and hence the risk entailed in reaching the agreed-upon objectives. Risk! Not just the profits.

The necessity of taking a risk in a new venture compels our Western partners (they have devised very effective defense mechanisms) to require guarantees from our side. Our side in a joint enterprise often turns to the government for this. The government, for its part, turns to the bank (the State Bank For Foreign Economic Activity, the State Bank, the Industrial Construction Bank...) In short, the whole thing comes down to state guarantees and enormous credits. To put it differently, the bank guarantees to pay any fines (in the event our side in a joint enterprises fails to meet some of its obligations). These fines can be enormous. For instance, say a construction project is not turned over for operation on schedule but is delayed a year. Pay \$300,000. But we have long since forgotten how to build things according to a strict schedule. And yet the executives at various levels who have filled the country with long-unfinished construction projects are now irresponsibly assuming commitments—this time within the framework of joint enterprises—to launch new projects.

[Manucharova] What kinds of joint enterprises, then, have no future? Under what circumstances will foreign capital fail to enrich our country?

[Arskiy] One proposal calls for setting up a joint enterprise to operate Western aircraft. Our project designers want to operate purchased aircraft and nothing more. And the state, as they see it, should assume the entire cost of strengthening runways, reequipping airports, organizing their services, and so on and so forth. Many

proposals for new joint enterprises tend to ignore ecological problems and say nothing about the fact that a new project will entail additional problems with transport, warehouse facilities, and housing.

A common shortcoming of such departmental proposals is that they are divorced from the country's existing national economic complex. Our "entrepreneurs" want to operate where they please. But (for some reason!) they by no means want to work in areas where joint enterprises are really needed. In short, they propose yet another version of producer dictat—not a market mechanism in which everything is dictated by consumer demand.

[Manucharova] What are Western firms most interested in, and what can joint enterprises do for them?

[Arskiy] They need new ideas. And, of course, new markets. The interest of strong firms is in expanding their markets and strengthening their positions.

[Manucharova] Don't you want to say that our country is primarily a raw materials market?

[Arskiy] For some reason, everyone is afraid of the fact that we need to trade our raw materials and resources. In fact, there is nothing wrong with this. Provided it is done wisely. (Like Canada or Finland, for example.) Many countries go through a stage in which they have to offer something to the world market in order to have a chance to reach a new level of development. Although, of course, (and I already talked about this) we could also be ruined by selling our resources at a loss in the pursuit of short-term benefits.

[Manucharova] Your position on resources is clear. But in what branches are foreign partners customarily not allowed to operate?

[Arskiy] Many countries do not allow them to engage in weapons manufacturing, energy, long-distance communications, transport, oil refining, and mining. Some have put agricultural production off limits to other countries' firms. Most states limit foreign capital's access to real estate.

There are regulations under which a joint enterprise regulates the return on foreign capital. (For instance, say a joint enterprise's entire output must be exported. Or it must give priority in hiring to people of the country in which the joint enterprise is located). Almost all countries make sure that joint enterprises do not promote the creation of monopolies or advantages. And nowhere is there a lack of oversight: Foreign capital investments in most countries' economies is permitted only with the fundamental consent of the country's parliament and provided that government-established regulations are observed.

[Manucharova] But for our enterprises, a foreign partner is attractive precisely because he offers an opportunity to evade diktat. And Western firms need their customary

freedom of action. They belong only to themselves. And they initially struggle against oversight on our part.

[Arskiy] That's not exactly right. But you have correctly identified the trend. For instance, say a Finnish company refuses to operate under central planning [plano-vost] and rigid oversight. They are right in doing so. But the state is obliged to exercise initial oversight in the creation of a joint enterprise (especially big ones). It is essential to establish beforehand just why the country needs one or another enterprise and what the consequences could be.

[Manucharova] In other words, would it be important to have a state council of independent experts under the Council of Ministers or the Supreme Soviet?

[Arskiy] In conjunction with other existing expert bodies, such a council would make it possible to enlist the scientific community in the decision-making process.

In my view, we cannot take decisions without having a counterweight to departmental demands and without conducting a scientific analysis of the proposals.

Only given serious scientific support can we formulate and pursue an active, nationwide strategy in creating a network of joint enterprises. We must identify priority spheres for joint enterprises by type of production facilities and region.

There are a few other top-priority measures. Above all, the training of future businessmen—the mass elimination of "market illiteracy."

We will not reach the level of large-scale business without creating an open bank of the most important proposals that have passed state expert analysis—proposals for which the state could confidently provide guarantees and spend foreign currency.

And, finally, we must understand that in our overall concept of joint enterprises, we must give priority to small and medium-sized enterprises in practice (and not just in word).

I hope that all these self-evident things will be realized. It is very important to actively promote the sensible development of a network of joint enterprises.

Direct Large-Scale Foreign Investment In USSR Urged

90UF02834 Moscow *IZVESTIYA* in Russian 29 Jun 90 Morning Edition p 5

[Article by Doctor of Economics M. Maksimova, professor at the USSR Academy of Sciences' World Economics and International Relations Institute: "We And The World—Do We Need Foreign Capital?"]

[Text] It is by no means an academic question. We must radically renew our society, improve the economy, alleviate social tension, and stave off ecological disaster. All

this demands that the country's leadership show exceptional political will and mobilize all forces, resources, and possibilities. It is clear that no one except us can bring about a breakthrough.

But something else is also true: History has allotted too little time to miss even one chance out of a thousand. The time is presenting us with such a chance—and a considerable one. The question is one of the truly large-scale enlistment of foreign capital in our economy.

Let me make something clear from the outset. I am not referring to capital in the form of loans on which interest is charged. World practice knows another, more effective albeit more complex method—the import of productive capital in the form of direct investments. In this instance, the importing country does not have to pay any interest. On the contrary, that country receives income from the foreign investor in the form of tax, lease, and other payments. The most important feature is that the company that has decided to invest its capital abroad also carries out the entire production cycle there—from the creation of an enterprise to output sales. It is therefore natural that it has an interest in outfitting the enterprise with the most modern equipment and technology, in transferring know-how, and in training its workforce. This opens up a shorter path to saturating the local market with output in short supply, and speeds the development of exports from the country in which the capital is invested.

This path is not simple. It is geared toward long-term ties, entails considerable risk for both sides, and presupposes a considerable measure of trust between the partner-countries.

I foresee objections. In our country, the very notion of "foreign capital" is associated with the usual formulas regarding its "doubly" exploitative nature, the inevitable pumping of windfall profits out of the recipient country, and the latter's plundering and oppression, its growing dependence on imperialism, and so on and so forth. But all these postulates, which were justifiably attributed to the capitalism of the turn of the century, cannot explain to us one seemingly simple thing.

The fact is that in all the world today, not even five countries have managed without the import of capital. Why is it, for instance, that even in such leading countries as France or Britain, foreign investments account for the production of one-fifth of all processing industry output, in Italy one-fourth, and in the FRG just under one-third? Why does the United States, the richest country in the world and, incidentally, the largest exporter of capital, simultaneously import capital from abroad, and in larger amounts than it exports? Many thousands of large and small Japanese, British, West German, and other foreign enterprises, companies, and banks in the most advanced branches have been founded in U.S. territory in just the past few years. Just who is exploiting whom here?

We must also give some thought to another phenomenon. The most dynamic and most rapidly industrializing developing countries and the ones most capable of holding their own against Western companies are precisely those that are using foreign investments, and doing so "with imagination." Incidentally, these same countries—for example, Brazil, India, South Korea, and Singapore—are now themselves establishing enterprises abroad, and their output enjoys a well deserved demand.

This hardly means that those who open their doors to foreign business experience no problems. Such problems undoubtedly exist, and sometimes they are very painful. However, the countries have learned (or are in the process of learning) how to solve them, widely relying on the power of their governments and labor unions and on the regulating role of the state per se. No matter how powerful a company may be, it is obliged to abide by the laws of the host country.

The reader might rightly ask: But aren't we using Western capital in the form of joint enterprises, for example? We are. To the Soviet government's credit, it was able to overcome the ideological barrier that exists here before our orthodox political economists were. In just over two years, nearly 2,000 enterprises set up in conjunction with foreign firms have arisen in our country. Their capital exceeds 2.5 billion rubles, 1.2 billion of that sum being in dollars.

But by international standards, alas, this is quite modest. Their operation has virtually no effect on the Soviet consumer.

Our perestroika urgently needs resources and technology. There is no branch that does not require radical modernization and major investments. The shortage of goods is to be felt everywhere and is measured in terms of several billion rubles. The country is confronted with the urgent problems of not only one's "daily bread" but also of mass computerization, the development of public health care facilities and modern communications systems, ecological security, housing and cultural facilities, new energy sources, and much, much more.

Does the government know this? Undoubtedly. But it is preoccupied with urgent efforts to resolve various crises in the country and with the implementation of emergency programs, and so wittingly or unwittingly it puts off the task of radical scientific and technological renewal of the country's economic base.

The alternative is clear. It is the fastest possible implementation of economic reforms and the transition to a regulated market economy. But we shouldn't labor under a delusion: This will take years even under the best of circumstances. But the social situation in the country can't wait; it compels us to move faster and faster.

I think—moreover, I am convinced—that amid the present circumstances, the large-scale enlistment of foreign capital would give us the additional time we so

badly need today. The Russian experience with concessions in the 1920s could also be useful here, and especially the modern practice of transnational business and foreign entrepreneurship in the world's developed and developing countries.

This is not just a matter of obtaining lacking resources and technologies from outside, although this in and of itself would speed the country's emergence from its severe situation. I also see this action as an incentive that would facilitate the difficult and still-unfamiliar process of gradually assimilating market economic methods and of creating for this purpose the necessary competitive basis, antimonopoly mechanism, and, in the long run, open economy. Incidentally, let us not forget that our impending integration into the world economy and world market has been elevated to the rank of official policy as an organic part of our foreign strategy.

There is another alarming problem that we still prefer not to discuss aloud. I refer to the growing "brain drain" that is depriving our country of highly skilled engineers and workers and people with an entrepreneurial bent. No longer tens of thousands but hundreds of thousands of the Soviet specialists the state and society so badly need are leaving the country. How can we counter this?

World experience shows that countries faced with such situations solve the problem by attracting foreign investment, including in research-intensive branches and in the development of infrastructure and the sphere of social and other services. Foreign countries have also widely used this technique to ease unemployment, especially in economically backward regions. Many social programs, especially in the countries of Western Europe and the European Community, envision a set of measures to stimulate foreign investment in "socially dangerous" regions. We should also bear in mind the latter point, in view of the fact that the 5 million jobless in our country have now been joined by more than 500,000 refugees, not counting the temporarily unemployed population.

Needless to say, we ourselves must decide the amount, recipients, and terms on which to enlist capital. But something else is also clear. Not one self-respecting businessman will take the risk of plunging into an alien economy without having first convinced himself that his partner has an interest and is reliable.

Let us try to take a somewhat detached look at ourselves, in order to gain a better understanding of the situation. The first thing one notices is our lack of a clear strategy in this area. The problem here is not high-level official statements about our willingness to cooperate with the outside world. Enough such statements have been made. The problem is that not one of our state plans or government programs provides for foreign investments.

Meanwhile, the foreign economic operations of our departments continue to follow the traditional pattern: Where can we obtain credits for consumer good imports, and what else can we sell in return? We are still going

into debt. One hand has given enterprises the power to engage in foreign economic activities, while the other has tightly sealed the channels for export. We have created the strongest possible monopoly on foreign currency at the center, while leaving the enterprises that earn that foreign currency for the country on short rations.

I do not accept the word "program" for the simple reason that I have yet to see one of them fulfilled. But if we do indeed intend to make widespread use of foreign capital—and I am convinced that we simply cannot manage without this—we do indeed need a long-term government program aimed at attracting it on a wide scale. Such a program is needed not in and of itself and not as yet another "set of measures," but as an organic, component part of the policy of improving our economy and making profound structural changes in it. Most importantly, this program should contain a clear concept of the mechanisms needed to create a favorable and dependable climate for such investment.

All our readiness to liberalize the terms for foreign capital investment has so far been confined to four cities (Vyborg, Sochi, Novgorod, and Nakhodka). We have yet to create free economic zones. But now, with the transition of republics and territories to economic accountability, they will apparently be able to take this matter into their own hands.

Our parliament has a special role to play. Foreign entrepreneurial activity in our country is presently regulated by normative acts, and in some cases by bilateral intergovernmental agreements. What we need, however, is a solid legislative basis that guarantees the protection of foreign property, the rights of foreign juridical and physical persons, the possibility of transferring profits, and so forth. For the present, such draft laws either do not exist or have been postponed "until better times."

Unfortunately, the recently adopted fundamental laws on property, land, and so on suffer from one flaw: They almost completely ignore our foreign economic interests.

Efforts to give foreign capital broad access to our country are being hindered, of course, by the underdevelopment of the market and the banking system, the "strange" price mechanism, and the unconvertibility of the ruble. And even in these conditions, many representatives of Western business are prepared to take the risk if, of course, they are convinced that we have begun real movement in the direction of a market economy.

Finally, among our fellow countrymen concerned for the country's fate, one can hear more and more often the voices of "Russian patriots" who reject any ties with the West, especially ties "by capital." If we cast aside the utterly illiterate maxims about Russia supposedly becoming a "raw materials colony of imperialism" in this way, another argument remains—an argument having to do with a challenge to "morality."

I think there is nothing more immoral than submissively tolerating economic and social mistakes in our country.

We cannot eliminate the grave consequences of these mistakes all at once, but we do have the ability to mitigate them, relying on not just our own capabilities but also international cooperation. We must remember that we are a part of world civilization. And only in close collaboration with the world around us and through the use of the experience civilization has acquired will we be able to multiply both our material and—what is especially important—our spiritual culture, without which the category of morality remains a mere phrase.

Soviet Financial Difficulties Threaten Business Deals With West

90UF0302A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 5 July 90 p 3

[Article by A. Chursin: "Deadly Balancing Act"]

[Text] Somehow, the problem of our foreign-economic ties has dropped quietly and unnoticed from the field of vision of political forces and public opinion. And that is understandable. Nobody has time for those matters, what with all the congresses, sessions, debates and votes.

But three or four years ago, there was hardly a more popular topic in our press. At that time, the newspapers and magazines—happy as kids with new toys—wrote avidly about the coming prosperity that hundreds of thousands of joint enterprises were bound to ensure. Leading Soviet political figures were urging the West's business world to make haste with their investments; back home, they were generous with their promises and prophesied all but a deluge of consumer goods.

True, you don't count your chicks before they hatch.

Back at the dawn of the joint-enterprise boom, in 1987, an entrepreneur from the FRG named Roland Lang entered into partnership negotiations, on behalf of his machine-building company, with a factory in Ordzhonikidze (now Vladikavkaz) and founded the first joint Soviet-West German concern. At first, everything went beautifully. Harking back to that time, Mr. Lang says frankly that that contract was like an unexpected Christmas present. The joy proved premature, however.

The highly promising project is now giving the West German manufacturer nothing but grief. Take the mere fact that not a single Soviet representative is able to help him solve his problems—some are afraid of the responsibility, others lack the authority, and still others get tied up in bureaucratic red tape, etc. And the principal business partner on the Soviet side—the Stankoimport [Machine-Tool Import] Foreign-Trade Organization—has generally brought the Lang firm to the brink of bankruptcy: For more than two years now, the latter has been unable to collect from Stankoimport the 14 million deutsche marks that it is owed for equipment. As a result, the Deutsche Bank has refused to grant the entrepreneur credits and is threatening him with punitive sanctions. To write of that kind of money for wastage and spillage or for negligence on the part of

related enterprises, the way it's done in a planned economy, is something that Mr. Lang simply cannot do—after all, it's not state money he's dealing with.

Unfortunately, the above-cited example is not an isolated incident but a common practice. In the view of Western business circles, economic cooperation with the Soviet Union has become a risky venture at present. After the Brezhnev era of stagnation, perestroika breathed new life into trade with the East. But the planned reforms still exist largely on paper, a situation that naturally gives Western entrepreneurs greater pause.

What's more, there is a growing prejudice against dealing with the Soviet Union. Our financial difficulties are the reason. Thus, the Frankfurter Bank estimates Soviet partners' current indebtedness at 500 million West German marks. And O. W. von Amerongen, an influential representative of the FGR business world, states that even well known and respected Soviet foreign-trade firms are increasingly asking to have their payments rescheduled.

Previously, paradoxical as that may sound, we had a reputation for meticulousness in financial matters. Now things have changed. The experts feel that, in order to obtain credit in West Germany, Moscow will have to first apply to the Bonn government for loan guarantees. Certain firms have decided on a general review of their plans for economic cooperation with the USSR. "Given the disorder that prevails there, it's very risky," said the representative of one Rhineland concern.

The majority of the joint Soviet-West German enterprises that have been widely publicized in the past have simply remained in the planning stages. The idea of building a 500-million-mark Moscow business center for banks and firms has gone sour. The Liebherr firm, which had undertaken to convert SS-20 rocket launchers into cranes, now doesn't know where it can find buyers for them. Negotiations with Siemens on the delivery of a high-temperature reactor have broken off. And in general, there has been a sharp tilt away from the traditional, almost classical transactions in the area of heavy machinery, petroleum-refining equipment and steel castings, and toward purchases of outerwear, foodstuffs and medicines.

Everything is coming full circle. Back when the Ministry of Foreign Trade was being reorganized, Soviet enterprises were being granted the right to enter foreign markets independently, and a vigorous growth of joint enterprises was anticipated, the order was given to conserve scarce petrodollars and to cease importing consumer goods altogether. Everybody now knows what came of that. Even at the time, it was known, for example, that our textile industry is capable of producing only 15-18 million men's suits a year, while there is demand for 90 million at the very least! The person who cited this data—an executive at one of the many foreign companies engaged in international trade—asked not to be identified.

Quite possibly, that decision was a factor in the consumer-goods crisis that hit the Soviet domestic market in 1988. What's more, profitable contracts with reliable Western partners were canceled. Thus, Mr. Emil Janucek, a West Berlin textile magnate (who was supplying us, incidentally, with large shipments of light-industry output—everything from underwear to stylish overcoats) lost 120 million marks from those cancellations alone. But then he's a resourceful entrepreneur: He immediately made contacts on the North American continent, and his managers (who speak Russian, incidentally) began learning English at company expense.

Despite his former business partner's inconstancy, that same Janucek has remained a big supporter of perestroika in the Soviet Union and, on his own initiative, put together a solid team of entrepreneurs and experts from the West Berlin and FRG textile industry and organized a publicity tour of dozens of Soviet textile mills to determine the thrust of future cooperation and the possibility of creating joint enterprises. In a subsequent conversation with me, he said ruefully that the grandiose plans had had to be scrapped and that his authority in business circles had been shaken. But according to his estimates, it would have been quite feasible, with the help of West German firms, to reconstruct 40-50 percent of our textile mills over a period of two to three years. In that case, perhaps we wouldn't have known the rationing and the hours spent waiting in lines to buy children's romper suits. But "higher consideration of the moment" prevailed, and the profitable cooperation was rejected.

Reliance on our own forces and on joint enterprises did not work out. Now we have to return to earlier practices. Any foreign-trade specialist with the least bit of experience knows, however, how difficult it is to restore one's reputation as a reliable partner after such inconsistent and precipitous decisions.

In commenting on the Soviet Union's return to its previous system of foreign trade, Western economic experts are noting that this appears to be a desperate attempt on the government's part to release the remnants of our exhausted foreign-currency balance and dampen the public's extreme discontent by importing common consumer goods. Just 6 billion deutsche marks will be spent on purchases of medicines from major West European pharmaceutical companies. Soviet foreign-trade businesses are making great efforts to arrange for cooperation with well known trading companies in the FRG.

Some successes have been achieved in this regard. Thus, the Otto trading company is already recording profits from its Eastern trade. Its customers include, for example, a Bratsk aluminum combine that has obtained an immense batch of television sets, videocassette players and outerwear from Otto. The concern's managers are so pleased that they are even proposing to open an office of their own in Moscow and to conduct trade in rubles.

But even here the Western entrepreneurs are a long way from optimism. They are concerned about their Soviet partners' severe shortage of foreign currency, and they are unwilling to trade on credit. Sometimes things get to the point where certain of our enterprises, in order to build up their foreign-currency account at least somewhat, are forced to sell the West equipment and machine tools that were obtained from Western partners literally a few months before.

So the picture that emerges offers little consolation. The transition from a planned dictatorship to market relations is not proving easy. Foreign-economic ties have suffered serious damage from bureaucratic inconsistency, for which, unfortunately, no specific guilty parties have been found. I would like to end on an optimistic note, but we have already had our fill of promises and hopes that tomorrow will be better than today. But the few thousand joint enterprises that do exist are still not a determining factor.

Risk For Foreign Firms Investing In USSR Assessed

90UF0299A Moscow *IZVESTIYA* in Russian 3 Jul 90 Morning Edition p 2

[Article by M. Krushinskiy: "Why Foreign Firms Take The Risk"]

[Text] Mistrust of foreigners is in our blood. It only grows as our economic troubles mount, though there wouldn't seem to be anything for foreign firms to grow rich on in this disorganized economy. Given this state of affairs, what in the world are they looking for here?!

I remember how journalists tormented the founders of the Soviet-West German enterprise Philips [Filips] Medical Systems Service: Neither the clearly humanitarian character of their future activity (the maintenance, repair, and installation of medical equipment), nor the German side's stated desire to somehow help our perestroika could fully dispel a certain mist of estrangement. How do you stand to benefit from that? was the question many asked in direct or veiled form. And answers like "Time will tell" and "He who doesn't take risks doesn't profit" only partly satisfied the questioners.

The situation was similar at a press conference last Sunday marking the establishment of the joint enterprise known as USSR Sprint Network. I myself could not help putting a question to one of the founders—P. Guidi, President of the American firm Sprint International: How does the giant of the world information market expect to profit from cooperating with the Moscow's modest Central Telegraph? What? No profit for the first two years? You are prepared to make additional investments in our communications infrastructure? What makes you so sure that the disorderly state of the Soviet economy won't render those outlays worthless?

If the giants of world business do not shun contacts with us, it must be assumed that "from there" our economic

prospects appear more attractive. As a matter of fact, the just-established joint firm is going to help foreign contractors more accurately assess the present and future of business partners on this side of the border. Naturally, we will acquire a similar capability.

For the question is one of incorporating our country in the world business information network, which has long since enmeshed the entire planet in electric wires. A mere push of a button makes it possible, strictly speaking, for anyone who so desires to instantaneously obtain access of any of the millions of information cells that make up this network and that hold the latest data from the sphere of business, science, and technology. For example, a banker can find out a foreign partner's credit-worthiness. A representative of a steamship line can calculate the optimal route for his merchant ship. A surgeon, before undertaking a complicated operation, can acquaint himself with the experience of his foreign colleagues.

Needless to say, none of this can come about tomorrow: An entire technical program will have to be implemented in our country. Only five years from now do plans call for 2,500 to 3,000 terminals to be set up in the USSR. And, needless to say, the Sprint Network's services will not be free of charge. Nevertheless, there are hardly grounds to suspect someone of wanting to grow rich at our expense. "Their gain," it seems to me, it not so much quick profits as information per se. About us. About the credit-worthiness of our enterprises, the condition of our roads, and the capabilities of our surgeons. "They," as they establish contact with us, may view us just as warily as we view them. It would be naive to expect otherwise. Apparently, the situation is the same as with disarmament: The path to mutual trust lies through mutual verification.

Foreign Trade Official on Soviet Credit Problems, Possible Solutions

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25 Jun-1 Jul 90 pp 2-3

[Interview with Yury Georgiyevich Bulakh, deputy chairman of the USSR Chamber of Commerce and Industry and candidate of economic sciences, by Aleksandr Yevseyev: "Credit of Trust, Trust in the Creditor: Why We Cannot Pay for the Imported Goods We Would Like To Buy"]

[Text] An acquaintance arrived from Finland. He had been negotiating with some firm there. He returned alarmed. One of the partners called him aside and whispered: "The newspapers are writing that the Soviet Union is no longer creditworthy... So you yourself should not shout this to the whole world..." My acquaintance called attention not to the commercial immorality of the friendly advice, but to the very fact of financial alarm rumbling throughout the world about our insolvency: "This cannot be... A great country, and suddenly it has no money..."

I called Yury Georgiyevich Bulakh, deputy chairman of the USSR Chamber of Commerce and Industry and candidate of economic sciences, to find out if this had actually happened and if we had been moving for a long time already toward a debtor's prison.

But the conversation did not begin with this critical topic, but with the fact that we had to move more quickly toward a market economy and that it does not at all rule out some regulating component. On the contrary, as the experience of England, France, Japan, and a number of other "market countries" shows, the state quite successfully accomplishes regulating social functions there.

[Bulakh] One must not think that there are no economic forecasts there, no calculations which can suggest how the country's economy should develop during the next year (they do not plan farther). All of this exists. For example, a "Japanese-style Gosplan" is a small group of specialists that is headed by a former bank chairman. Let us assume that this group comes to the conclusion that the shipbuilding industry, if it does not cut back in the near future, will hamper development of the Japanese economy. What happens next? The government, which is informed about this forecast, calls in the owners of the shipbuilding firms. "Gentlemen," he says to them, "this is how the situation with your sector looks in the future. We understand that you have to make a very important decision; therefore, we consider it necessary to warn you: if you begin pouring your capital from shipbuilding into spheres of progressive, science-intensive sectors, let's say, into biotechnology, electronics, and so forth, the revenues from the profits which you pay the state will be partially returned to you. Please consider this."

And that is all. Efficiently, precisely, and quickly—with the help of such economic methods the Japanese cut back shipbuilding in the shortest possible time. And no one suffered when they did this. Not the Japanese fleet, not the owners of the shipyards, not their workers... Why did this fate bypass the workers? I will answer this with another, more recent example. Now the Japanese are cutting back steel production—they have decided to produce only high-grade steel. And one day I read a brief report in the newspaper that Nippon Steel is dismissing 40,000 people. Note, it is not throwing them out on the street: they are all being sent to retraining courses where they will learn to work with computers. And after the courses all these 40,000 people "flow" into the electronics industry, where the Japanese metallurgy business is also investing its capital. And now Nippon Steel produces excellent computers. In England they have cut back shipbuilding and the coal and metallurgical industry in precisely the same manner. But there, unlike in Japan, a fierce struggle flared up between the government and the workers. It even went as far as fistcuffs. Still, Mrs. Thatcher came out the winner. And most of the workers were forced to go to the training. It is interesting that about \$40 billion a year are spent on such retraining in the United States... Naturally, everything is provided for in advance, everything is planned. You would envy such planning.

[Yevseyev] I have a good idea what you are leading to: If you want the world market to buy your goods, you must take its requirements into account... This applies directly to the question I wanted to ask: Is it true that the Soviet Union is not creditworthy? Or did someone begin spreading a false rumor which we should quickly squelch?

[Bulakh] Unfortunately, it is not at all a false rumor. It is all true. Recently I was in Belgium and spoke at a club of exporters. The first question I was asked was this: "Why doesn't the Soviet Union pay for the delivery of our goods?" I had to answer that, unfortunately, such incidents have occurred recently and that, apparently, they are associated with mistakes in deciding the question of purchasing goods when a careful consideration was not made of the factor of our ability to pay. And the Bank for Foreign Economic Activity was forced to postpone payments for those goods which were either shipped to the Soviet Union or were ready for shipment...

[Yevseyev] That is, you told them that, in buying the goods on credit, we did not look to see if we had any money in our purse?

[Bulakh] Yes, roughly... I had to say that all of this, apparently, is for the first and last time in our foreign trade history, since it is contrary to our entire culture and all the principles of our foreign economic relations. And that this has never happened before in the 72 years of Soviet power. I asked them to show patience and restraint, which, I understand, does little to soften the blow we have inflicted on our interests in the future. Whereas we used to pay for goods being purchased abroad only after we received the shipping documents, now, evidently, many exporters will demand that we open letters of credit, i.e., that the Soviet Union transfer money in advance to Western banks so the company can receive it right away. Such a step certainly will require that we mobilize currency assets and will reduce our import potentialities... In general, confidence in our foreign trade organizations has declined noticeably. Recently at one of the international conferences, the leaders of Western banks grudgingly said that Soviet purchasers had still not given them an explanation for the serious delays in payment for the goods. Indeed, it is extremely complicated to give an answer. One can only assume that a number of goods were not exported as set forth in the plan. This, evidently, also resulted in a serious reduction in Soviet Union's currency revenues. The reason for the shortage in delivery of goods is the crisis condition of our economy.

[Yevseyev] Does there exist in foreign economic practice some gradation of countries by degree of confidence bankers and exporters have for them? Is there some kind of rating of importers? And where do we stand today in this "confidence rating?"

[Bulakh] We were in the first 10 of those countries who could be granted any credits in concluding transactions. Today we rank either in the forties or fifties. And this

results in higher interest rates for us. After granting us credit, as I already said, they require us to open a letter of credit instead of making payment for collection. In general, we are deprived of many privileges that a solvent, reliable partner enjoys. All this is quite unpleasant.

[Yevseyev] Could our fairly candid conversation worsen this bad situation even more?

[Bulakh] Of course not. All this is already known.

[Yevseyev] Do you know what amount we owe?

[Bulakh] I do not dare to cite a precise figure. I know that it is several million rubles.

[Yevseyev] What do you think caused this?

[Bulakh] Our country does not have currency today.

[Yevseyev] Was everything we had put into circulation?

[Bulakh] Precisely.

[Yevseyev] Then what are we to do? After all, you cannot get by without imports.

[Bulakh] It means we must be careful when purchasing foreign goods and purchase them based on our real capabilities.

[Yevseyev] A question comes to mind. Isn't the gold reserve which we possess really a guarantee of our solvency? Why not sell it?

[Bulakh] It is, but the sale of it must done strictly within the framework of the market's capabilities. If you sell a very large amount of gold on the world market, the prices immediately drop accordingly, and you see nothing from this. Therefore, we must act extremely carefully here. There is a barrier beyond which we simply must not go.

[Yevseyev] What should we do? Increase the sales of oil? But will not sort of the same thing happen that could happen with gold?

[Bulakh] It possibly could. But don't forget that we do not have enough oil even for our domestic needs—as soon as the harvesting begins, you will find the agricultural equipment standing idle, since there is no fuel... So, there are export limits here, too.

[Yevseyev] Incidentally, how much money earned from the sale of oil in the last 20 years have we "squandered?"

[Bulakh] An awfully lot, but I cannot say precisely how much? In any case, oil exports, which brought us approximately 170 billion rubles after the price hikes, had practically no return for the country and the national economy.

[Yevseyev] What about gas? It seems like an excellent export commodity, judging from the numerous statements of our foreign traders.

[Bulakh] I would say otherwise: it is a specific commodity. Gas exports depend largely on the consumer, on his needs. And the consumer may say: thanks, but I will take only so many millions of cubic meters of your gas. That will do. Let us add to this the fact that there exists in the West a system of strict allocation of gas resources coming in from various countries. This is done for one purpose: to not end up dependent on a monopoly supplier. Therefore, the FRG, say, buys gas not only from us but also from Holland and Algeria... Then you must also take into account the capabilities for transporting this fuel—if you want to increase deliveries, you must lay new pipelines. Finally, there is a third factor—the weather... This year Western Europe had a very warm winter, and the need for energy resources fell sharply.

[Yevseyev] Does that mean that gas is also not the answer? But we still have timber, ore, coal—couldn't we sell these?

[Bulakh] It is not all that simple here either. Here, too, everything depends on the market. For a long time now we have not been fulfilling the quotas established by the Gosplan for selling timber: we do not have enough for ourselves. Things are not so good with coal either. We have fairly strong competitors who are aggressively entering the coal market—China, the United States, Poland. They deliver to whomever they like and however much they like. The same goes for ore.

What reserves do we still have at our disposal, or more precisely, could we have at our disposal? Note that in listing our export capabilities, you did not even mention agriculture, but at one time agricultural products occupied a leading place in Russia's exports—they were the main item for which Russia earned a lot of money. We were first in world exports of grain, butter, and other commodities. Now we are the world's largest exporter of grain and butter. Of course, we have not exhausted the possibilities of making our way into this market, but this involves the political resolution of the problems in agriculture and a transition to a market economy.

As far as exports of machinery and equipment are concerned, the key problem here is quality, and I understand why you did not call attention to this export item. But we cannot make our machine building industry competitive without a transition to market relations. This requires us to do much; the most important thing is to develop competition in the domestic market. The products which our industry produces must be in demand by our consumer. If we do not have this and if our population does not prefer domestic goods, we never will be able to begin exporting them.

[Yevseyev] It is hard to object to such arguments... But is it worthwhile talking about domestic competition of producers when the store shelves are empty and when we would be happy to have at least some goods? There is a guaranteed demand for everything.

[Bulakh] I am not talking about today—we are in a deep crisis situation. I am talking about that situation in

which the market is more or less filled with goods. You will recall, about 5 years ago there were many goods, but it was import goods, not our domestic goods, that were in demand. Could we have exported goods which the domestic market did not want to buy?

[Yevseyev] How do you imagine the economic process which could get our industry to produce competitive goods?

[Bulakh] Above all, we need to achieve conformity between supply and demand. We must carry out price reform—this is the most important thing in the problem of shifting to a market system in the economy. Prices must ensure conformity between supply and demand. Only when there is a balance between them will prices stop rising. However, price increases must be accompanied by a corresponding social safeguards for the population. To do this, we should use the tremendous wealth of our state: industrial enterprises, land, housing, and so forth. Privatization of them will put large monetary revenues in the hands of the state, which must be used to increase people's wages.

[Yevseyev] Do you want to say that the law of value must finally show its worth in our market—it and not someone "from above"? The market should set the prices.

[Bulakh] Yes. Only then will we know who is worth what, what enterprises are operating profitably, and what ones are unprofitable—these production facilities will simply be forced to leave the market and go bankrupt. New ones will take their place. A genuine competitive struggle for the purchaser will emerge. A revolution will take place in our economy. A producer market, if you will, is now operating in our country today—it dictates its own terms. But then everything will turn upside down, and the purchaser will dictate: I need this, and I will not take this! Of course, it is also necessary to change the taxation system—these laws are now being passed by the USSR Supreme Soviet. Tax reform must be carried out in two ways. But it looks like we prefer only one: high duty and, accordingly, high revenue for the state. But in this case the manager's concern for earning more money and correspondingly investing it in developing his production decreases sharply. If the tax system were structured in such a way that it would protect only the interests of the low-income sections of the population, and those who work actively and who earn good wages would be taxed at high rates, we lose the opportunity to develop production. It seems to me that both our legislators and our financiers should seriously think about this. Incidentally, the amount of taxes in capitalist countries—and if I am not mistaken it is from 30-35 percent in the United States to 50 percent in Sweden (there the social provision of the population is very high)—is now noticeably decreasing. The tax policy, it seems to me, must be structured in such a way that people want to earn and that they have an opportunity to invest their money in development of the economy.

The next thing that is necessary to do on the path toward a market economy is to change the banking system. The State Bank and the Bank for Foreign Economic Activity up to this time have played the role of some state distributor of monetary assets. I believe that the State Bank should become a genuine state bank, subordinate not to the government but to the USSR Supreme Soviet or the USSR Congress of People's Deputies, so that any actions of the government that might cause inflation could be implemented only with authorization of the State Bank. The government has the right to spend only that money which it has at its disposal.

We also have to change the credit system completely. In capitalist countries, the state borrows in order to develop the infrastructure of the economy, and enterprises borrow money for their own needs themselves. We still accomplish all of this exclusively at the state's expense... And the main thing is that the banks must finally learn to make money themselves. Financial capital in the United States, England, and Japan is one of the largest producers of monetary assets.

I think that it will be possible for us to enter the world market only after we build this foundation and switch to a market economy.

[Yevseyev] If we take a good look at our "corn-bins," won't we find some goods that the world market needs and that we are not thinking about today?

[Bulakh] First of all, let us look at those stocks of enterprises which have not been used for years, which we call illiquid. It looks like we have hundreds of billions of rubles tied up in them. The gigantic stocks of commodities at industrial enterprises exceed all reasonable norms tenfold. Thousands and thousands of tons of metal, which we are not even capable of remelting, are often simply buried in the ground—there isn't even time or opportunity to mess with them. I think we have quite enough of these resources to saturate the market with export goods, having brought supply and demand into balance.

We also must not forget about a currency reserve such as selling goods for foreign currency within the country. A serious mistake was made when the sale of goods for checks of the "Vneshposyltorg" [Foreign Republic Mail Order Trade Office]. The new system is working poorly. People complain about the great inconveniences and pump over their accumulations of foreign currency abroad, acquiring goods from foreign companies. We lose many millions on this. I think we need to authorize the sale of goods directly for foreign currency to all Soviet citizens.

[Yevseyev] You talk about illiquid assets, but who in the world needs spare parts for machine tools which only our industry produces? Who needs, say, cans of paint, rags, wrapping paper, wire, and pieces of cable, which managers have been stubbornly storing in warehouses for years?

[Bulakh] Everything can be put to use. Spare parts—this is metal. Everything can be reworked; everything can find a buyer in the market. But all this can be sold and will be sold only when a serious economic need for this arises. And this will occur—I am forced to repeat myself—only with the appearance of a market economy. You see, it is not by chance that in the capitalist countries, Japan let's say, there are no stocks in company warehouses—they supply production what it needs. And everything—trains, trucks, aircraft, ships—moves with absolute precision. This, by the way, is also one of the elements of the market, which must operate like clockwork.

[Yevseyev] There is still one currency reserve which we have forgotten for some reason—conversion.

[Bulakh] Yes, this is very valuable, especially in the area of the latest technologies. The USSR Chamber of Commerce and Industry, incidentally, is now actively involved in this work. Exhibitions recently concluded in Munich and Hannover, where our defense sectors demonstrated their capabilities. We believe that this is promising, although everything here is not as simple as it may seem at first glance. But there clearly will be a return. I think that the conversion enterprises could supply to the West the highest quality of goods that would successfully compete on the world market. But it will take a bit of time for the defense sectors to successfully enter the foreign economic sphere of influence. And the most important thing: in order to pursue an aggressive currency policy, we will need people, many people, who are enterprising, desire to break the customary procedures, and are capable of thinking creatively. Nothing will come of it without them...

[Yevseyev] Are you sure that the administrative-command system in which the country has lived for decades has not killed these abilities in our people?

[Bulakh] I don't think so, not now in any case. Although before I had such thoughts. But I see that it is not so. We have not exterminated and have not destroyed the breed of people who are filled with initiative and are broad-minded. We have someone on whom we can depend...

Results of Seminar for Soviet Business Managers Viewed

90UF0185A Moscow PRAVDA in Russian 22 May 90
Second Edition p 7

[Article by A. Lyutyy (London): "The British Aspect";
passages in boldface as published]

[Text] Hugh Richard, a young dark-haired Englishman with the agile stride of an athlete, looked around at his listeners and described an intriguing situation:

"Imagine that you own an investment company. An automobile marketing expert comes to you. He wants to start his own business here, in London—a BMW sales agency.

He needs a large amount of money, and you have to decide whether he should get it or not...."

The audience responded with enthusiasm and began asking for more details: about the man asking for the money, about the usual cost of building and equipping a dealership, about how quickly it might start earning a profit, and about whether it would be likely to earn a profit at all.

Richard answered the questions precisely, occasionally referring to schedules and estimates prepared in advance: Profitability would depend on the demand for the cars, on the location of the agency in London, on the kind of people who would be running the agency, and on several other factors. As for the businessman asking for the money, he has an excellent business record, but this is a man who loves to live in style, who has to make large alimony payments to his first wife, and who has trouble satisfying the expensive tastes of his present wife.

These savory details amused the listeners, and they began to discuss the situation out loud, interrupting each other and weighing all the facts.

"Well," Hugh Richard brusquely cut the discussion short with a sly expression on his face, "shall we take the risk? Raise your hands if you want to do business with him."

Only a few hands were raised. The supporters of the business deal were clearly in the minority....

I attended this discussion in one of the classrooms in the London School of Business and felt rather strange when I looked around. The reason was that the people who were discussing the pros and cons of the proposed arrangement with Richard were not his colleagues from the City of London, but our own Soviet production managers, economists, planners, and foreign trade experts. There were 28 people in all, and they were all seriously engrossed in the discussion.

The meeting with Hugh Richard was part of the set of business games the London School of Business had organized for our specialists. They were conducted by real businessmen using real examples from their own experience. In this case, the Triple I Corporation (an acronym of the English name "Investment in Industry") was familiarizing our specialists with the decision-making process. This corporation, which was founded in 1945, has grown into the world's largest supplier of small and medium-sized businesses with what is known as venture capital. In the future it would like to extend its sphere of interests abroad to the USSR.

What is behind all of this? A purely utilitarian approach? The hope of penetrating our market after learning in advance who pushes the levers? This is apparently one of the considerations, but I am certain that it is not the only one. There is also the purely gentlemanly wish to share experience and offer assistance in the comprehension of the laws of the market economy. We will begin by hearing what our specialists had to say.

Georgiy Sergiyenko (Moldavian SSR Gosplan):

"Our own unsophisticated knowledge of the principles of Western management was clearly inadequate. Furthermore, our information was often false. Here, in London, we are beginning to really understand the businessman's mentality. It is radically different from ours. The Soviet economic manager has everything spelled out for him in advance in the plan. He is not accustomed to considering all of the possible options and cannot take a creative approach to the work. We have no efficient forecasting procedures. It is no secret that decisions are always made by superior bodies, and without any sound basis whatsoever. But take a look at the English company. A spokesman for one of them told us that 100 million (!) pounds sterling had been spent studying the probable consequences of a single decision. In spite of the colossal expenditure, the idea was rejected."

Aleksandr Samodurov (Ukrainian SSR Gosplan):

"If Western approaches are now carelessly transplanted in our soil, nothing will grow, but if we intend to have serious economic relations with England and other countries in the future and plan to become a permanent part of the world economic system, we need to know as much as we can about our partners. They know a great deal about us and study us, but we have little knowledge of them."

Konstantin Khalimov, director of the Raznoprom firm of the All-Union Soyuzpromeksport Foreign Trade Association, however, did not agree with his colleagues that the seminar was of great practical value:

"You see, the money here, in a country with a free market, is real," he said. "In essence, we do not have any real money. What I mean is that an enterprise in the USSR could earn huge sums but would be unable to buy even a single nail unless Gosplan or Gossnab approved allocations. After all, everything is limited. Money is not secured by goods. This fundamental difference makes much of what we have heard here an impossible dream."

"Are you really saying that the seminar was useless?"

"Why? Our specialists are also attending similar seminars in the FRG and Italy. This is forming something like a club of experts on market relations—what might be called a 'management lobby.' It is getting bigger all the time, and when it is big enough to break down existing barriers, we will be able to say that the classes were useful."

The "management lobby" trained by the London School of Business, incidentally, already consists of more than 70 people. Two groups of our high-level specialists were here last year. I attended the third seminar. The theoretical classes were reinforced by business games and by visits to the London stock exchange, to banks, and to well-known corporations—Imperial Chemical Industries, General Electric, and Rank Xerox.

The idea of organizing these seminars first arose during Soviet-British summit meetings. The idea became a reality after then Secretary of State for Foreign Affairs Geoffrey Howe visited the State Committee of the USSR for Science and Technology, which is in charge of the selection of candidates on the Soviet side. The selection process is rigorous, our comrades assured me.

There were some rough edges and some hitches in the beginning. The first group of Soviet specialists, for example, was too diverse—it consisted of academicians and ordinary bookkeepers.... Besides this, the curriculum seemed to have little to do with our own experience. Now a model program is taking shape and procedures are being perfected. The groups are more homogeneous in terms of age and profession.

Of course, each person might have his own opinion of the practical value of the seminars. The majority, it seemed to me, appreciated the classes. A particularly important point is that the economic managers who come here for the 3 weeks of study have enough time to establish business contacts with English businessmen. The British side sees this as one of the main purposes of the seminars. The London School of Business is already the godmother of several joint ventures.

Who covers the cost of the seminars? The travel expenses of the first group last year were financed by the British Foreign Office, and the costs of instruction were covered by the Rank Xerox corporation. The third seminar and subsequent ones will be financed jointly. With the tact characteristic of the English, Professor David Chambers, the director of the program, told me that he expects the framework of the program to be expanded in the future with Soviet financial assistance.

I am certain that this undertaking deserves our support. It represents a window to Europe for our future Soviet managers. Furthermore, it is the kind of window that is not accessible to everyone. The London School of Business, housed in several beige buildings near picturesque Regent's Park, is one of the oldest and most prestigious institutions of its kind in the West. Half of the students here are foreign. The ratio of applicants to admissions is high. Entrance examinations are difficult. People from our country, however, are welcomed with pleasure and hospitality. I was told that Margaret Thatcher has taken a personal interest in the program. Conditions here are ideal for study and recreation.

Furthermore, the purely British aspect of the modern science of management should be of special interest to us. After all, England has accomplished its own economic perestroika in the last 10 years. The country paid a high social price, but it achieved economic transformation. Its industry was modernized, several new high-technology industries were established, production relations underwent radical changes, and the bureaucratic "fat" was trimmed wherever it was giving rise to parasitical tendencies and stagnation.

Our countries are too different to draw direct parallels, but we can learn valuable lessons from the English experience anyway. British Airways, for example, was the target of malicious jokes and complaints 10 years ago. Today it has changed beyond recognition. It ranks highest in the world in terms of passenger service, flight schedules, and operational efficiency. Before the Thatcher government turned it over to private owners, it was a state-managed company financed largely through state subsidies, which fostered a lack of initiative. When Lord King acquired the company, he resorted to the bitter but effective medicine of personnel cuts. It was not this purely capitalistic treatment, he told me, that was most instrumental in the company's recovery, however. Sound scientific appraisals served as the basis for the right combination of moral and financial incentives for employees and an effective relationship between labor and management.

I could also cite other examples. It would be wrong to copy them, but it is useful to study them and draw conclusions from them. This is what the classes in the London School of Business are teaching our specialists to do.

"Of course," said Director David Chambers of the "Russian seminar," "we have neither the desire nor the ability to provide ready answers to all questions, but such fundamental matters as the decisionmaking process, marketing, pricing, quality control, incentives, and banking are of interest to economists in any social system."

This year, according to preliminary data, four groups of our specialists are expected to come to England as the guests of the London School of business and other business schools. One interesting detail is that some of our specialists will come from branches which were previously kept completely secret from foreigners—branches producing space equipment and new materials. Who can say whether it will be worth the risk? Are we likely to squander our secrets? I think this is a sign of the complexities and stereotypes the specialists at the "Russian seminar" mentioned.

I want to say a few words about risk. What was the actual verdict on the BMW dealership which was refused financial assistance by the majority of listeners? The example was based on a real situation. The Triple I company took the risk, advanced the money, and was not mistaken. As the co-owner and then the owner of the enterprise, it was later able to sell the business, which became quite profitable, in a highly lucrative transaction. Of course, it had to break off its relationship with the businessman with the extravagant wife.

Pros, Cons of Foreign Trade Viewed

Need for Trade Defended

90UF0284A Moscow PRAVITELSTVENNYY VESTNIK in Russian No 25, Jun 90 p 10

[Article by V. Musatov, doctor of economic sciences and department chief at the USSR Academy of Sciences Institute of the USA and Canada: "Businessmen Weigh Chances"]

[Text] In deciding whether to make a deal businessmen weigh the chances of success, especially their own. But they also weigh the chances of their partners. As our country has firmly stated its intention to join the international division of labor and to restructure the entire complex of its foreign economic ties, the chances of our economy are also being weighed on the scales of the business world. In the process some things are being said aloud and some things are being hinted at, while certain conclusions, it is quite natural to assume, remain for "internal use."

Of course, we have our own opinion and knowledge of our potential. But it is not a sin to listen to assessments from outside. That does not at all mean being governed by them. However, they can help us by providing us with the stimulus and supplementary material for a deeper interpretation of the economic situation.

One of the main results of USSR President M.S. Gorbachev's recent visit to the USA was the signing of a trade agreement between the two countries. It calls for most-favored-nation status to be granted on a mutual, unconditional basis. At present we will not touch upon which products of our manufacturing industry we will realistically be able to take into the American market. Let us give some thought to something else: have we created in our own country the "most favored" conditions for our economy? Are we moving in this direction? To our deep regret it is still difficult to give a positive answer to these questions. Moreover, one gets the impression that increasingly the economy is becoming the victim of passions which have flared up in the sphere of politics, international relations, etc.

It would seem that the difficult economic situation clearly dictates that economic development should be the main national priority. And so it would seem that the slogan "Give the economy a chance!" would squeeze out most of the others at meetings and demonstrations. But no, the opposite is taking place. And sometimes the impression is created that we have simply decided to commit collective economic suicide.

How else can one judge the desire, which is expressed with increasing loudness, for economic exclusion, for the immediate re-examination of the proportions which have developed in our trade (regardless of whether they are harmful or whether they are not well grounded, they are nonetheless functional), and for the acquisition of exclusive rights to natural resources? In the end all of this is the tragic echo of an ill-considered desire to divide everything into "ours" and "theirs" in a black and white picture of the world where the horizon lies almost at the threshold of one's own house or, at the very best, just beyond the immediate neighborhood.

It is not the presence of extremes which is dangerous but the lack of a positive dominant. Without it the situation becomes unstable. And instability is incompatible with successful economic activity. Many Western businessmen are saying more and more openly that with

regard to the establishment of business ties with our country, they would prefer to take a wait-and-see position for a while.

And can we manage without them? Why not? We managed without them for years! It is true that one does not particularly like to think about the costs of isolationism. Nonetheless, let us assume that we will manage. Together we will dismiss thoughts of missed opportunities for mutually-beneficial cooperation. It is more difficult to turn away from another truth: what kind of unattractive condition has our economy fallen into if outside observers are coming to the conclusion that it is impossible for it to function satisfactorily?

The government's announcement of the need for a transition to a regulated market economy is, of course, an epochal event. But the eternal dilemma of "goal—means" has been quick to show itself: this time the problem lies in the fact that clarity has increased with regard to the goal, but there is no clarity in the ideas about the means to achieve it. If clarity does not emerge, if society does not come to a consensus, we will get stuck in a situation of "neither plan nor market."

The question of prices is a key one and very painful. Because businessmen are convinced "market men" (and what else could they be?), they would make price reform a top priority. Many do, but curiously not all. G. Filner, head of the American company Project Development International, Inc., has long-standing business connections with Soviet organizations and enterprises. It is his opinion that in our case the transition to a market economy should not begin with price reform. Above all, for social reasons. The first step, in his words, should be the introduction of ruble convertibility.

Among other things Filner's company studies the conditions of the Soviet market. And for this reason his view should not be "written off" as naive or removed from our realities. For him ruble convertibility is one of the preconditions for the development of joint enterprises on our soil, and on a broader scale, the entire range of foreign economic ties. If the qualitative growth of those ties is one of the mandatory conditions without which economic reform will not become either radical or successful, then ruble convertibility is indeed necessary right now. How, and in what concrete forms is a different question. It is important that it be defined in principle.

As for joint enterprises, Filner does not hide his profound disappointment with the progress made in establishing and operating them. The blame here, in his words, lies mainly with the Soviet side. This view has something in common with the views which were expressed, in particular, at a conference held last month in the town of Middlebury (state of Vermont) by the American Economics Institute. At the conference particular emphasis was put on the pressing need to give stability to the norms regulating joint enterprises.

It will seem to some that criticism of our economic practices by foreigners means a demand for unilateral

concessions. And sometimes this does happen. But these are, after all, sufficiently obvious things, which are dictated by economic considerations. And when the authoritative American lawyers P. Meggs and P. Pettiboyne talk about a demand for a single legislative act to establish clearly and in detail the procedure for the operation of joint enterprises in the USSR, it is worth listening to them.

It is difficult not to agree as well that payment delays by a number of Soviet organizations operating on the world market are undermining the country's prestige as a business partner. Obviously there is no representative international conference or business meeting devoted to the USSR's economic ties with the West being held today at which this problem is not mentioned. The ritual phrase "For a major power it is shameful" sticks in the mind after a harsh statement by an American businessman that public governmental confirmation is required concerning the USSR's intention to fulfill its debts. That is how far the matter has gone already.

And to what degree is this known within the country; how aware of it is our broad public opinion? That can be judged by the following fact: even a majority of our economists write about the country's indebtedness largely on the basis of data obtained from foreign sources. One would like to think that our central economic agencies are taking effective measures to normalize the situation. But it would be good to see a broad reflection of this work in the mass media. Otherwise, conversations about "shock therapy" and "shock without therapy" are carried on abstractly as if they applied to the future, albeit the near future. But what other kind of therapy besides "shock therapy" is required after foreign business circles have been given grounds to doubt our ability to pay?

There are enough horrors; there is no need to force them, but it is essential to be aware of the seriousness of the situation. And then our foreign partners may become convinced that yes, we know about the situation and are drawing practical conclusions from it.

It is important to clarify something else. Business and risk are inseparable. "He who does not take risks does not drink champagne" has become a common expression. Businessmen can almost always be found who will take a risk despite desperate circumstances. Let us recall that the young American A. Hammer came to a Soviet Russia destroyed by civil war and, nonetheless, saw opportunities for business contacts. Let us also recall that V.I. Lenin, who saw more clearly than others the entire complexity of the situation in which the young socialist state found itself, was confident that it was possible to establish foreign trade and to attract Western companies. And this confidence was fully justified.

Today everything is much simpler. And not just because our economy, with its current difficulties and crisis processes, cannot be compared with what it was in the early '20s. Western companies have also changed: they

are now larger, more diversified and capable of carrying out long-term projects. They make expenditures in order simply "to show the flag" in markets which they intend to enter only in the future, depending on circumstances. Frequently they maintain a presence in the planet's "hot spots," where business is quite impossible. But then as soon as the "hot spot" has cooled down, the company is ready to start operations.

Thus, no matter how sceptically the Western business world approaches the assessment of the Soviet economy's immediate prospects, nonetheless there will be companies which will look for contracts and conclude them, which will create joint enterprises, grant credits, etc. Examples multiply almost daily.

However, one should not be deluded by this precisely because business and risk are inseparable. The greater the risk the less the business. And it is already accepted that the greater the risk the greater will be the payment for it. This is particularly obvious in the granting of credit. Already one has to pay a tangibly higher interest rate than before for funds which one acquires. But this is reflected in all other areas of foreign economic activity as well. For example, if a foreign partner reduces his share in the charter fund of a joint enterprise which is being established, or if he is slow to come up with the investment, this forces the Soviet participant to increase his investment or to reconcile himself to the enterprise remaining on paper.

The granting of GATT-observer status to our country was a notable event of recent times, which reflects changes both in the political climate in the international arena, as well as in the attitude of business circles toward the Soviet Union. Right away the discussion of possible USSR membership in other international organizations—the IMF and IBRD—was stepped up. In particular, these problems were also the subject of discussion at the regular meeting—held in June in Moscow—on economic questions organized by two public organizations—the Soviet and American Associations for UN Assistance.

And one more point. The judgements made by the business world on the prospects for growth in exports from our processing industry are ambiguous. That same G. Filner is extremely categorical: in the coming years, in addition to raw materials, the Soviet Union will export for the most part only semi-finished goods and... brains. And in fact their loss threatens to become a serious problem. As for the export of finished goods, it, as Western businessmen express it, will require a high "entrance fee" to make up for past mistakes of foreign economic policy, to overcome the frequently negative attitude of Western business people toward the output of Soviet enterprises and to establish the still almost completely absent sales infrastructure in world markets.

Business people are also saying that Soviet entrepreneurs must understand well this problem, which is directly related to the people's living standard. One would like to

hope that they are mistaken. But the future will tell. For now their prognosis should obviously be taken as a warning.

It is uncomfortable having our economy under the fixed cold view of Western businessmen. That view will not become enthusiastic immediately. But they must see their chance today. We are for this because our chance lies here, too.

Need to Protect Soviet Interests

90UF0284B Moscow PRAVITELSTVENNYY VESTNIK in Russian No 25, Jun 90 p 10

[Article by V. Zobov, candidate of juridical sciences, senior scientific associate, and Yu. Martyshov, candidate of juridical sciences, docent of Moscow State Institute of International Relations: "Economics and Security"; first paragraph is source introduction]

[Text] How to ensure the country's economic security was the subject of articles by V. Rubanov (PRAVITELSTVENNYY VESTNIK No 15) and D. Khilov (PRAVITELSTVENNYY VESTNIK No 21). We continue the conversation on this subject.

In the desire to obtain hard currency some enterprise managers and cooperative members sometimes forget about state interests. The so-called economic contraband is a concrete manifestation of this. In this case it is enterprises and organizations, that is, juridical persons, not individuals, who are engaged in the contraband export or import of goods. It would seem that violations of the law are present, but there is no one to be held accountable since the responsibility of juridical persons in such cases is not stipulated by the existing legislation.

Also becoming more and more widespread is the practice of exporting abroad commodities which are traditional for our country (lumber, petroleum products, caviar, sturgeon, etc.) at prices which are substantially below world prices. Here damage is caused not only to the state but also to the labor collectives of the enterprises on whose behalf the obviously unprofitable deals have been concluded. After all, with a conscientious approach, profits could be greater.

Finally, our society suffers significant losses from barter deals when hard-to-get products such as color television sets, refrigerators, freezers, vacuum cleaners etc. are exported from the Soviet Union, and in their place we receive goods which have been lying around for a long time and which are unmarketable in Western countries. Further, such deals most often function as an absolute condition for establishing future long-term and "mutually beneficial" trade relations, for which, in reality, the unscrupulous foreign partner is not prepared.

Today's public practices shows that our country's state and social structures, unfortunately, are very often late in their decisions, taking them after events rather than before. For example, with the help of scholars working in

the sphere of criminology, the legislative and executive organs should have foreseen the possibility that racketeering would emerge and spread as cooperative activity developed. However, this was not done and only life itself forced the introduction of certain changes, both legislative and organizational.

Many years of experience in managing the economies of developed countries have shown that with market relations (including those of an international nature), partners who are pursuing maximum profits very often resort to such, to put it mildly, reprehensible actions as unfair competition and industrial espionage. For this reason our state and economy in general, as well as individual enterprises and organizations, in making the transition to market relations, must be prepared to encounter these phenomena, which are unusual for our society. For now it must be stated that neither the legislative or the executive—and certainly not the judicial—authorities are taking any measures in this direction. Proof of this can be seen in the recently adopted USSR Law "Concerning Property in the USSR." It does not reflect such universally recognized concepts as industrial and intellectual property. But as international experience in combating industrial espionage shows, it is precisely these forms of property which are most often its targets.

In order not to lag behind today's requirements, it is essential, in our view, to create at the governmental level a temporary research collective from representatives of the law enforcement organs (the public prosecutor's office, the Ministry of Internal Affairs, the KGB, Ministry of Justice), the Ministry of Foreign Affairs and MVES [Ministry of Foreign Economic Relations] to study the problems of how to ensure economic security and to formulate appropriate proposals of a legal, organizational and methodological nature.

Barriers to Improving Foreign Trade Viewed

90UF0355A Moscow PRAVITELSTVENNYY VESTNIK in Russian No 28, Jul 90 p 10

[Article by V. Melnikov, candidate of economic sciences: "Strong Barriers Hinder the Development of Foreign Economic Ties"]

[Text] Thousands of enterprises are now carrying out export-import operations. Along with specialized foreign economic associations and foreign trade firms, associations, and cooperatives, they realize about 30 percent of the exports and half of the imports of the country and have respectable currency funds—in 1987-1989, 4.7 billion rubles worth of freely convertible currency alone was transferred to them. Enterprises, departments, associations, and organizations have the right to spend that money at their own discretion for purchasing equipment and raw and processed materials, and up to one-quarter of the fund to obtain consumer goods.

But then how can the foreign-economic activities of enterprises, regions, and republics with all-Union economic and trade-political interests be combined? For

any state has international obligations in the area of foreign economic ties, and the participants in those ties are obliged to abide by rules adopted in world trade. Taking world trade practices into account, we have created in our country a particular system for regulating foreign economic activities, including registration of the organizations and enterprises participating in them, customs declaration of exported goods, and licensing of export and import operations. The planning levers as well as currency deduction norms for export output are also actively employed for this purpose.

Perestroyka of the management of foreign-economic ties is focused on developing trade-economic relations with foreign countries, improving the trade structure, and actively using contemporary forms of international cooperation. Have we managed to perform this difficult task in the last few years? Judge for yourself: The country's foreign trade turnover rose from 130.9 billion rubles in 1986 to 140.9 billion rubles in 1989, or merely by 7.6 percent. In light of that, the volume of export has practically not changed: its growth totaled 0.7 percent. It is clear from that that the goal we posed to expand exports in all possible ways has not been achieved. Its structure has also remained almost unchanged: the proportion of machines and equipment rose from 15 to 16.4 percent, and the proportion of fuel and electricity dropped from 47.3 to 39.9 percent.

But what happened with imports in that very same period? They rose substantially: by 15.3 percent. But the volume of imports in constant prices as compared to 1985 increased by 16.7 percent correspondingly, and the volume of exports by only 3.9 percent. Alarming indicators! For it turns out that we now lose substantially more domestic resources than ever to pay for one unit of imports. So, in recent years no significant progressive advances have been made in the structure of foreign trade turnover and our currency receipts continue to depend on the market prices for fuel and raw materials. As for imports, in our country they have become a means for eliminating disproportions and imbalances in production and consumption. And that inevitably involves the deterioration of the currency situation.

But let us see if perhaps this year brought corrections to these undesirable trends of recent years. Unfortunately not. According to preliminary data, the total volume of export-import operations in the first half year, for example, was less than in the same period last year, by 3.3 percent; while exports were 9.3 percent less and imports rose by 2.2 percent. Deliveries to the CEMA countries dropped markedly—by 10.1 percent, and import purchases—by 6.2 percent. The trade balance with them was a negative one. But what accounts for the unfavorable trade with this group of states?

There are many reasons—the unbalance in mutual accounts and worse conditions because of the drop in prices for energy media, as well as lower contract discipline and responsibility of our side for promptly fulfilling obligations. In addition, we are not compensating

for the reduced income from exports of energy media through the sale of other goods. Therefore, imports from these countries must be reduced in order to correct the balance of mutual accounts somewhat. This year our trade with some of them will decline as compared with last year.

Now I would like to say a few words about trade turnover with the capitalist and developing states in the first 6 months of this year. As compared with the same period last year, it rose by 3.1 percent, including imports, which rose by 13.6 percent. We continue to buy foodstuffs, consumer goods, medicines, and raw materials for the catering industry on the Western market without any reduction at all. Unfortunately, capital to pay for them is not increasing: exports declined by 8 percent. We ladle out currency for the most part through the sale of raw materials. The quality of our machines and equipment, which continues to be rather low, paralyzes the export of machine-building output. So the desired changes in the structure of export operations still do not exist.

At the same time as our export potential is very limited, plan assignments for exports are far from being fulfilled because of the drop in labor and contract discipline. In the first half year, the plan (taking into account supplementary assignments) was underfulfilled by 6.8 percent. Meanwhile, enterprises, associations, and organizations export quite a lot of different output on the basis of uncentralized export and barter deals. But all of their currency receipts go to pay for importing their own needs.

But Soviet managers do not always deliver even those goods which we can offer on the foreign market to the buyer on time. This year a tense situation has developed in the work to ship export freight through sea ports. Many of them have become warehouses where goods are not exported for months. About 4.5 million tons of various output have accumulated in ports, and of them approximately 0.5 million tons have already been lying there for more than 3 months. And, unlicensed output and output not yet sold is sent to ports, and so it is output without tonnage for its export. And railroads are not prepared to accept nonplan freight: a multitude of railroad cars has collected near the ports, and they paralyze the work of both the railway and the ports. For example, more than 300 cars remain unloaded according to the norm in the ports of the Far East every day.

This situation is the result of the lack of discipline of certain managers for foreign trade and transport organizations when mutual contract obligations and decisions are being fulfilled. When contracts are concluded, foreign trade organizations, for example, do not determine the number of foreign customers' ships coming to our ports and do not ensure that they arrive in a regular manner. In addition, the schedules of their arrival are not as a rule observed either.

One can hardly call the shape of our foreign trade, like the economy as a whole, normal if it suffers from

arrhythmia and its export-import structure seems to have become paralyzed. A house can, of course, and should be repaired from time to time in one place and then in another in order to keep it in more or less good condition. The government is taking measures to increase the volume of exports and currency receipts and improve the regulation of foreign economic operations, the customs service, and the like. But obviously preventive work is no longer enough for the edifice of our foreign trade activity. In conditions of the transition to market relations, new major steps are needed on the path of perestroika of this activity's organizational structures and management mechanisms. Governmental organs are now working to resolve precisely these problems. If we manage to move along the path of structural perestroika of the economy and achieve real progress in production, then fundamental improvement of our activity on the foreign market and convergence of the Soviet economy with the world economy will be insured.

Successes, Problems of U.S.-Soviet Joint Ventures
90UF0297A PRAVDA in Russian 2 Jul 90 Second Edition p 7

[Article by V. Kikilo, Paul Tatum's [P. E. Tatum] Team in Moscow; Edwin Aldrin, Paul Tatum, Robert Haldemann, Bernard Rome (Chairman of the executive board of Americom [Americom International Corporation]): "Paul Tatum is Waiting"]

[Text] ...The hamburger that exudes a foreign aroma in its roll and plastic wrap...Waffle cones filled with variously-colored scoops of banana, strawberry, and pistachio ice cream...Good quality and comfortable footwear from Lenvest, asking to be worn...After reading this list don't you want to bite into Western delicacies? Then gather your patience and get at the end of a long line—for example, a line in the capital's Pushkin Square. If you are lucky, in about 1 hour you will reach the doors of the building with a strangely-shaped roof and the sign "MacDonald's." A little further in and here a young cashier places a longed-for Big Mac, French fries and a tall plastic glass with Coca-Cola on the counter before us. As for the pair of mocassins that have taken our fancy, the path toward ownership, alas, lies in lucky destiny during trade abroad.

The Big Mac, the pistachio ice cream and the mocassins are all goods resulting from a phenomenon that is totally new to us—the joint venture. If, of course, we do not count the advertisements appearing on numerous walls, roofs and fences in the capital by Western firms that are risking a marriage with Soviet partners.

As of yet there is no point in looking for traces of the activities of joint ventures (JV) on the counters of GUM or under the moulded arches of the Yeliseyevskiy Grocery Shop. However, a shortage of almost daily reports on the creation of all kinds of new SP's is clearly not being felt. Of dozens of people I surveyed at random one out of two admitted that the first thing that comes to

mind when a joint venture is mentioned is the unheard-of high wages, hard currency and assignments abroad...

Where did these stereotypes come from? In the public's consciousness has the joint venture occupied the same niche that has been occupied for a long time without exception by "speculative" cooperatives that "rob" everyone?

Let us try to understand this. Let us look at least at an example of the operation of a Soviet-American joint venture. It is the U.S. that firmly has priority over Western countries in the amount of capital invested in this sphere, taking second place only to the FRG in the number of registered enterprises created with Soviet partners—over 150. As of yet fewer than 15 percent have actively begun their businesses. This includes the Perestroika Joint Venture.

This joint venture was created in mid-1988 but already last year it cleared \$ 1.6 million. What is the reason for this success? Mikhail Pankin explains that it has to do with the type of operation it is. It builds, renovates and operates hotels, offices and housing for representatives of foreign firms and foreign citizens. In the words of M. Pankin, Perestroika is able to acquire profits in hard currency thanks to the "lack of saturation of this market for foreigners." Let us make this more precise—thanks to its almost complete absence.

"Due to the shortage of facilities for offices in Moscow," wrote the American magazine U.S. NEWS AND WORLD REPORT recently, "about 600 directors of foreign firms have been forced to work in cramped hotel rooms... Those few facilities that are available are being leased for \$600-800 per square meter, which is one-third higher than in the U.S."

But to explain the success of Perestroika only by the exclusively advantageous competition would be incorrect. A considerable role is played by the coordination of the advantages of Soviet and American partners—Mosinzhstroy [Moscow engineering construction association] with its powerful manpower resources and go-getting methods of management and the firm Worsham Group from Atlanta (state of Georgia) with its more than 100 years of experience in organizing construction. Moreover, in having hard currency at its disposal, the joint venture attracts foreign subcontractors for work on a competitive basis, and utilizes quality imported building and finishing materials and equipment.

Evidently, in many respects thanks to this Perestroika has been successful in carrying out in 1 year something that is practically impossible under our conditions—to renovate three buildings in the center of Moscow, and to do this without violating the original architectural form. Today the representatives of Western banks and firms have located there.

Is there something beneficial to the city and its residents coming out of this, a reader might ask. There is, but the directors of Perestroika admit that it is not a direct

benefit. For example, Mosinzhstroy has at its disposal building equipment worth 150 million rubles. Nevertheless, not having a centralized source for hard currency it cannot purchase spare parts for it. Participation in the hard currency profits of the joint venture removes this problem. Of course it is not because of a good life that Perestroyka looked to foreign contractors from the very beginning. After all, the market dictates the compressed schedule and high work quality. With our long years of building...

"If the operations of the joint venture are not reflected in the consumer market this can be explained to a large degree by the absence of favorable conditions," says Michael Morgenstern, deputy general economic director of Perestroyka, in excellent Russian. "The joint venture, for example, cannot be involved in middleman activities—in the purchase of consumer goods from the West for sale here—without a license from Vneshekonombank [Bank for Foreign Economic Activity]. This is a big minus. There are many others. This is why we are forced to orient ourselves toward the foreign market and not toward the domestic one."

Jeffrey Ziger from the state of New Jersey opened the Tren-Mos Soviet-American restaurant in Moscow in the fall of last year. The goal of the Tren-Mos is to feed Soviet visitors. But Jeffrey is faced with a problem—how to deal with the ruble earnings, even if they allow him to fully reimburse the expenditures of the establishment in Soviet money. The fact is that our finance ministry prohibits foreign companies to open a ruble account except in very rare instances. There is no good explanation for this. But since the prohibition exists the Tren-Mos joint venture is forced to maneuver while more actively attracting hard currency visitors to the restaurant. Evidently this partially explains the limited number of our citizens who call upon the cozy rooms of this "American island" on Komsomol Prospect. Another reason that the Tren-Mos is hardly accessible to the average Soviet person is its prices. If you and your family decide to simply have lunch there, have 100 rubles ready—this is the price you may have to pay for a four-course lunch for three.

It is difficult to suspect an American restauranteur of greed—the level of service and quality of dishes is beyond praise. Twice a week Ziger himself buys provisions in the marketplace. As we know, the prices there are steep, especially for meat. In general supplying the Tren-Mos restaurant is difficult. A powerful partner such as the trust of cafeterias and restaurants of the capital's Leninskaya district does not always help. What happens is that whereas in the rest of the world the restaurant owner makes up a menu several days in advance and then orders the necessary foods, in the Tren-Mos just the opposite must be done.

Whereas Ziger is involved in looking for pork chops and cod fillets, his countrymen in Kombaschan Indzhiniring [Combustion Engineering]—the first American firm that created a joint venture in the USSR, are more concerned

about the problem of spare parts. Charles Hugel, board chairman of this energy corporation, in an interview in the magazine FORTUNE complains that "it is very difficult to obtain these spare parts in the country, in which there is no national system for distributing them or even of business directories."

Mr. Hugel is right and not right. We really do not have any business directories as of yet. But a national distribution system does exist. This is a system of strict centralized funding in which a place was not found for the joint venture.

The joint venture is an element of the market economy but it is operating still within a system that clearly rejects it. Peaceful coexistence here is hardly possible—the centrifugal forces are too great.

So is it a fiasco?

"The joint venture is capable of blowing up the old bureaucratic system from within," feels Petr Zrelov, general director of the Soviet-American Dialog joint venture. It is involved in the production of computer technology and in supplying programs. In his words the flight of specialists from the state system to the newly-created market system triggered by higher wages is not the only problem.

Joint ventures in our country are 2 or at most 2.5 years old. Within this period of time it is difficult to create and put a joint venture into full-capacity operations, not only here but also in the West, continues P. Zrelov. It is true that the reasons for this are different. Here the imperfection or absence of the necessary laws and market mechanisms are the reasons, there—great competition. It is not surprising that in the U.S. an average of 60 percent of new businesses fail. With the appearance of the market here, according to the assessments of specialists, 30-40 percent of enterprises can become bankrupt, including joint ventures. And P. Zrelov feels that this is normal.

But what should we do about goods and services for the people, which have not increased during these 2.5 years? An analysis of the operations of the joint ventures that have been created shows that Western partners are in no hurry to make investments into capital-intensive branches where the reimbursement period is great. At the same time the number of joint ventures is growing swiftly in the sphere of services, the production of programs and computers, the provision of information and consultation services, the training of cadres, the sale of resources and the "games business." Here both the return and profits can be achieved more quickly.

Evidently, differentiation in tax rates is necessary. At the same time we need a more favorable system of taxation for joint ventures that are involved in the activities that are most essential for us now.

But what is happening? I heard from the directors of the capital's joint ventures that the government intends to

completely do away with the 2-year period of tax advantages. There are rumors that a minimum fund of \$ 200,000 will be established as necessary in order to register a joint venture. New difficulties? It turns out that yes, there will be.

The directors of the Moscow Association of Joint Ventures are convinced that a number of organs and departments are taking steps that interfere with the development of the joint venture and its normal functioning. Is this intentional or not? It is difficult to answer that. But a fact remains a fact—legal and economic stability, which is so essential for attracting foreign capital, is still absent.

"In the market economy time is money," Paul Tatum, president of the California corporation Americom, assured me fervently on a visit to Moscow. "You are stretching things out and Western companies are losing interest in joint business."

Paul himself feels that he was lucky. His firm, which is involved in equipping offices and in improving the business infrastructure, needed "only" 1 year and 1 month to come to an agreement with Intourist about creating a joint venture for the development of a trade center in Moscow.

"I was told that usually an agreement of this type takes 2 years in Moscow," says Tatum. "But even the time that I spent on this was too much. In the West such negotiations would take a maximum of 2-3 months. After all it is simply crazy," he says furiously, "that to register a joint venture you require the signatures of 17 people before you will actually begin business." He will have to do this too.

Yet Paul is ready to do everything in his power to make the life of his fellow businessmen easier in the Soviet Union. In order to facilitate the success of the enterprise he attracted for his trip to Moscow people famous in America and abroad such as Edwin Aldrin, one of the first men to step on the moon, and Robert Haldemann, the former director of the White House staff under President Nixon, who became a part of history thanks to the "Watergate scandal" of 1972-1974.

The goal of Americom is to create conditions for Western businessmen in Moscow that will enable them to carry out business in the USSR in the way they are accustomed to doing at home.

"Please understand, there is office and organizational technology without which an American who comes here simply will not be able to do serious business," says Tatum. "The trade center on Verezhkovskaya Quay can provide such conditions. In addition to offering satellite channels for communication with the entire world, equipment for sound, number and visual transmissions of information, immediate access to the leading electronic banks in the U.S. and other technological innovations in the spirit of the 21st century the center will also create its own social microclimate. This will be provided

by four American restaurants, a sports facility, an indoor swimming pool and a store."

"I do not know how long the opening of our trade center will be delayed due to its registration," says Paul Tatum in parting. "If the procedure takes 2 months then the opening, which is slated for November, will be delayed by that much. This means that we will lose \$ 1-2 million due to lost opportunities."

A month has passed since my conversation with Paul...

Roundtable Assesses Progress of Joint Ventures

90UF0321A Moscow *SOTSIALISTICHESKIY TRUD*
in Russian No 5, May 90 pp 15-24

[Report on "round table" chaired by V. Illarionov and Yu. Borovikov under rubric "Joint Entrepreneurship": "Horizons of Development"; passages in italics and boldface as published]

[Text] In January 1987 the Soviet government published documents on the establishment of joint ventures within the country with the participation of foreign firms and other organizations. They envisage the solution of a number of economic problems, among them, meeting the country's needs more adequately in many types of output, attracting advanced foreign know-how, technology, managerial experience, and material and financial resources, expanding exports and reducing unjustified imports, expanding the service sector, etc.

Recently *SOTSIALISTICHESKIY TRUD* sponsored a "round table" to analyze the initial experience acquired in the operation of joint ventures and the prospects of their development. It was attended by executives and specialists from several joint ventures, scientists, associates of the Labor Scientific Research Institute, VNTsent [All-Union Research Center?], the Joint Ventures Association, the All-Union Federation of Joint Ventures Labor Unions, the Higher Komsomol School, and other organizations and offices. A report on that meeting follows.

The three years that have passed since the decrees on the formation of joint ventures in the Soviet Union were officially signed is, of course, not much time. However, some results can already be summed up and ways of resolving emerging problems outlined. By the beginning of this year there were 1,274 registered joint ventures. It is noteworthy that some 90 percent of them were set up with the participation of capitalist firms and enterprises. The aggregate charter funds of all the new ventures was 3.3 billion rubles [R]. Out of this, the contributions of foreign partners in the form of modern equipment, technology and hard currency totalled R1.4 billion. Characteristically, the rate at which new joint ventures are being formed is increasing from year to year. Whereas in 1987 an average 1.9 ventures were set up per month, in 1988 the monthly average was 14, and last year it was 90. The trend has been maintained during the first months of this year.

What are the initial results of the operations of joint ventures? Goskomstat [State Statistical Committee] data for the fourth year of the 5-year plan was not yet available for the "round table," so the participants had to deal with indicators for three quarters. During that period the 194 already functioning companies had produced almost R605,000,000 worth of goods and services, of which R70,400,000 worth were exported. Approximately one-half of the products sold in the Soviet Union were consumer goods. As the roundtable participants noted, some of the enterprises produced wares never before manufactured in our country. For example, the Soviet-Swiss Diaplus company began manufacturing drugs for diagnosing cancer cases. Hitherto they could only be acquired abroad.

Analyses reveal, and the discussants confirmed, that labor productivity at joint ventures was on average considerably higher than at similar Soviet factories, while at the Soviet-Japanese Igirma-Tairiku Lumber Association it was five times higher than at Soviet woodworking plants. This is an indication of the reserves latent in the application of advanced foreign experience.

It should be noted that joint ventures, most of which were established only just recently, are still in their formative stages of market research and development. This is another reason why they are not yet contributing significantly to the alleviation of our country's balance-of-payments deficit. During the initial phases the structure of their exports is not very effective. In the first three quarters of 1989, payments of joint ventures for imported goods and services exceeded export proceeds by R187,200,000. On average one enterprise exported one million foreign currency rubles' worth of goods and services. The share of exports in the cost of marketed output was only 11.6 percent. Exports, especially during the first half of 1989, were mostly food products (mainly seafood to Japan)—52 percent—with raw and processed materials accounting for 37.4 percent. Machinery and equipment accounted for only 4.6 percent. In this area there is, as they say, something to closely scrutinize and think about. Essentially, joint ventures should not be in the business of shipping abroad the same raw and processed materials and semi-finished products as Soviet state organizations have been for many decades. Of course, it is hard to break into world markets with machine wares all at once, but long-term prospects should be more clearly defined.

Lately virtually all regions have been getting involved to one degree or another in international investment cooperation; however, the geography of joint ventures indicates that too many of them are failing to take advantage of newly opening opportunities. The roundtable participants noted that about half the joint ventures are located in or around Moscow. There are also many in Leningrad and the Baltic Republics. The specialists came to the conclusion that additional tax, currency and financial benefits for joint ventures in the Far East, and subsequently in joint enterprise zones, would probably lead to

their more balanced geographic distribution. This would also be facilitated in large measure by the success of existing associations.

The inflexibility of our economic mechanism and the inadequacies of the economic reform also impede the more effective development of the new enterprises. On the other hand, many Western partners tend to be cautious when considering major investments in our country, especially in the manufacturing industries. The scientists think that this is quite understandable as long as COCOM continues to exert some form of control over the "free enterprise" of Western companies in the Soviet Union and other socialist states. One also senses an alienation of foreign business rooted in the many years that the Soviet economy remained closed for the world market. That is why so few joint ventures are being set up so far in machine building and the agroindustrial complex. Of all the newly formed enterprises only 4.9 percent are in machine building and 4.4 percent are in the agroindustrial complex. Most companies are appearing in commerce, tourism and the light industry (32.5 percent), as well as in engineering, R&D, consulting and mediation services (29.9 percent).

The process should, of course, be two-way. In the absence of a developed wholesale market in our country, given commodity shortages and the non-convertible ruble, many foreign partners seek to set up ventures in areas which do not require major initial financial investment, raw materials or other supplies. As the discussion revealed, certain negative trends in the development of joint ventures are already apparent. Thus, to guarantee cash flow in hard currency many enterprises, instead of expanding production, engage in buying up various goods and raw materials on our country's domestic market for subsequent export. Here it is sometimes difficult to define the boundaries of the permissible. In order to avoid such undesirable developments in future it would, probably, be best to make better use of tax and customs benefits envisioned in Soviet laws to stimulate the organization of production facilities in priority industries.

But, it must be said, there are other negative tendencies as well. In recent months more and more small enterprises have been appearing which, naturally, will have no decisive impact on economic processes in the country. Average charter capital per venture has dropped from R6.7 million in 1987 to less than three million in 1989. Nor has the situation changed much since then. At present 60 percent of all joint ventures have a charter capital of under one million rubles. Fearing economic and political risks, most foreign investors avoid large capital investments (during 1987-1989 the average investment of foreign partners declined from R2.4 million to less than one million rubles) and, to be quite frank, they look for payback from speculative, short-term returns (sometimes within a year or 18 months). But large high-tech capital lacks the opportunities for flexible production maneuvering in the framework of our still imperfect economic system. As a consequence, it

frequently refrains from cooperation or only joins ventures backed by the promise of major preferential treatment.

Often misunderstandings and failures occur because the Soviet partners are undemanding. Participants in the debate remarked that there had even been some increase in the number of inviable joint ventures involving foreign companies of questionable reputation. The latter frequently try to establish joint ventures with symbolic charter funds (under R2,500), sometimes with the only purpose of expanding their own exports of goods and commodities to the Soviet Union, even at the expense of credits guaranteed by the joint venture's Soviet investors. Last year the first official liquidation of a joint venture was recorded. There also have been cases of covert liquidation, through replacement of the foreign participant. To counteract such trends it is, evidently, necessary to study the situation more thoughtfully and legislatively set the minimum size of a joint venture's charter fund (e.g., R200,000) and of the foreign partner's contribution (R100,000). Incidentally, when registering joint ventures, the Ministry of Finance now requires information on the legal status and financial solvency of the foreign partners.

Nor should attempts by some joint venture founders to indefinitely drag out the creation of the charter fund be ignored. In this case the actually invested capital differs significantly from that stated in the charter documents. For example, a random check revealed that in 30 joint ventures 26 percent of the investment had not been made on time. As a result the flow of foreign investment has been slowing down, and some dummy ventures have even been set up. The roundtable participants suggested studying the question of legislating the time limits for the establishment of charter funds.

Sometimes the foreign partners take advantage of their Soviet partners' lack of sophistication to secretly transfer profits from joint ventures. This, naturally, leads to losses for our country. The people involved in setting up joint ventures should know that transnational companies usually employ three main methods of concealed withdrawal of proceeds from their foreign branches or affiliates. These are: selling products at inflated prices and buying at reduced prices, inflating licensing charges for technology transfer, and raising loan interest rates. A recent study of several joint ventures in the Soviet Union revealed that equipment purchased from a foreign partner was overpriced by as much as 40 percent above prices in trade between independent agents.

It was pointed out that lack of legal knowledge has of late led to various violations of the law by joint ventures, notably in exports and imports of raw and manufactured materials without the required authorization of the Ministry of Foreign Economic Relations and customs authorities, and in trade involving payments in foreign currencies. There have been press reports of the involvement of joint ventures in currency speculation. Such negative aspects testify to the need for further improving

the economic mechanism and legislation in the field of regulating foreign investment and establishing effective controls of the operations of joint ventures.

Many of the questions taken up stemmed from specific conditions in which different enterprises operate, as well as from some controversial assertions, conclusions and claims to a number of Soviet organizations and administrative agencies. The roundtable participants wanted to know the salaries received by Soviet and foreign specialists and workers; they were interested in differences between the ideology of the Soviet and foreign sides in respect of production planning and work organization, in their handling of questions of the composition and size of the workforce, forms of work organization and remuneration during the negotiation stages, availability of normative and methodological materials, use of hard currency accumulations of enterprises to resolve social problems of their workforce, the effects of the conditions of material and technical supplies, of the quality and regularity of supplies of raw materials on work processes, the quality of output, etc.

V. Zhavoronkov, director of the Sovelan Aroma joint venture, noted a number of serious difficulties encountered by his people. First and foremost is the organization of material and technical supplies. There are many things which we should be able to resolve on the spot but cannot. The former superior organization now says that the joint venture is "a stranger" and should deal with its problems on its own. There are major difficulties in worker training. Workers could be sent abroad for apprenticeship, but the enterprise frequently lacks the right, with various administrative barriers cropping up here and there. It sometimes gets absurd. Zhavoronkov cited a case when it was necessary to install an additional telephone. When they approached the local communications organization it demanded payment in hard currency. This happens at every step: you need a truck to deliver goods, "Pay in hard currency"; you need to get the simplest equipment or work clothes, and again they demand foreign bills. But where can the enterprise get them when it is only just getting on its feet? One can understand the suppliers' position: every Soviet enterprise that has gone over to cost accounting wants to earn hard currency, but not in such blatant ways. This can only be called extortion.

Other paradoxes can also occur. Say, some Soviet enterprise has aromatic additives suitable for manufacturing food and soft drinks. Sovelan Aroma also needs such components and would like to buy them, but it can't without the permission of superior fund holders and the concurrence of planning and supply agencies. This can only slow down production processes and result in more expensive output. This practice is unprofitable for both our enterprises and their foreign partners. However, so far it has been impossible to overcome such obstacles.

According to Zhavoronkov, there are still some unresolved problems over the transfer of profits from the operations of joint ventures by foreign partners. There is

also much dissatisfaction with the system of remuneration for Soviet and foreign specialists and workers. As often as not foreigners earn many times more than our engineers for virtually the same work. The superior agencies claim that so far it is impossible to resolve these problems: the economic situation in the country is tense and wages must be held down. This line of reasoning is hardly justified. The director of Sovelan Aroma would like to see a law on joint ventures enacted as soon as possible.

V. Bakushev, supervisor of a problems group of the Higher Komsomol School's Scientific Research Center, spoke of the need for more in-depth studies of the functioning of joint ventures. Because some aspects of joint ventures remain closed to outside scrutiny, at present only some of the economic trends taking shape within them can be studied. It is impossible to paint an overall picture of the "social image of joint ventures," the personality of a "joint venture specialist," etc. with such inadequate data. For example, some observations indicate that the workers of joint venture are paid at higher than average rates. Young people are increasingly attracted by the so-called "facade" aspects of joint ventures. They want to try themselves out in the entrepreneurial sphere. Important attractions include opportunities for foreign travel, etc. However, experience shows that young specialists are more often than not employed in so-called review work, which sometimes doesn't even require a higher education. Young people are rarely allowed to occupy key production and managerial positions. Perhaps the only exceptions are joint construction ventures.

According to Bakushev, many questions arise in the field of joint ventures in the agroindustrial complex. There are 56 such registered enterprises, but they still have to acquire a structure that would even remotely meet present-day requirements. The scientific-production, and even purely production, contributions of these enterprises are minimal. Undoubtedly, the absence of land and property laws has had a major impact on agricultural ventures. However, perhaps the main obstacle to international operations in the agroindustrial complex has been the state monopoly proclaimed by administrative agencies. The structure of small forms of farming currently being restored in the countryside (private farms, leasing, agricultural cooperatives, etc.) is designed to expand the framework of joint operations with foreign partners. In this area smaller joint ventures could probably prove to be the most efficient. It is important to facilitate their development, especially in the use of effective selection techniques, in primary food processing, construction, as well as in apprenticeship and training of agricultural personnel. Such work is already under way in the Baltic Republics, and preparations are on in the Russian Federation and other regions. However, the process is still extremely slow.

The young scientist also drew the roundtable participants' attention to the important problem of setting up public organizations of joint ventures. As is known, an

All-Union Federation of Joint Venture Labor Unions, has been formed. But is there a need for other public organizations within joint venture? If there is, then what would their features, structure, role and place in the life of the collective be? So far these issues are not being tackled. In future this can lead to all kinds of misunderstandings. One cannot, after all, preclude the possibility of strikes or other conflicts. Who would handle such controversies? Such questions should, evidently, be taken into account in the future law on joint ventures.

These and other problems already give urgency to the tasks of deeply investigating the activities of different categories of joint ventures, not only by economists, but by sociologists as well. In particular, there is a need for a scientific classification of joint ventures, not just their division according to economic features. It would be useful, the speakers stressed, to set up a public council to study the operation of joint ventures. Initially it could function under the auspices of Goskomtrud.

The debate also revealed the need to clarify a number of legal provisions covering the operations of the new type of organizations. It is important to define the full basic meaning of the term "joint venture," which was initially rather loosely introduced into legal, economic and political currency. After all, any small or large joint business or collaboration could be called an enterprise. That is why, when adopting future regulations it is necessary for their legislative portions to include additional statements. It is necessary to introduce and justify an entirely new, legally independent operative entity: "Joint Firm." It could include all joint ventures operating on the basis of cooperation of small capital funds. The start-up procedures and activities of such firms should, evidently, be simplified. But it is also necessary to prevent the appearance opportunities for speculative actions and violation of the laws of our state. In short, appropriate legal regulation of the functioning of joint ventures in our country is needed; it must be economically and scientifically justified, protect the interests of our state, and take into account the positions of foreign partners, the benefits of such cooperation for them. In our country construction has won the dubious fame of being the most failure-prone business, replete with graft, report padding and unfinished projects. There are grounds for such categorical assertions. Indeed, there is much mishandling and disorganization, all of which weighs heavily on the economy. In recent years a number of steps have been taken to improve the situation. They include team and collective contracting, issuing warranty certificates for newly commissioned projects, "lock-and-key" commissioning of buildings, mergers and better management. However, it must be conceded that results have been minimal. Yet much could be achieved by setting things on a modern economic and organizational base. This is confirmed, in particular, by the experience of the joint Soviet-Finnish enterprise Arendmash.

V. Sinitsin, general director of this company, noted that they had to blaze new trails. They lease the most modern equipment abroad for 5-year periods and in turn meet

the requirements of foreign firms engaged in construction and reconstruction projects in our country. Arendmash provides full maintenance servicing of the equipment, handles repairs and moves machinery to new construction sites. Its charter capital is DM3,000,000, and its annual turnover is R1,500,000. Foreigners, as well as our own construction organizations, readily do business with Arendmash, because within a relatively short period of time it has created a highly favorable impression. Firstly, it carries out all customer orders with high quality standards and within stipulated deadlines. Secondly, in Moscow and its vicinity (where the company is located), it repairs any mechanical breakdowns within 48 hours, and within 72 hours at other sites where its equipment is employed.

Although Arendmash's prime concern is to expand its material and technical base, it gives as much attention to problems of improving work organization and to its workers' social needs. In this they encounter, as S. Sinitain informed the roundtable participants, quite a few difficulties. To conceal them now would mean to reproduce them in future at thousands of joint ventures. For that reason it is useful to discuss these questions today, and on some issues to get appropriate legislation passed.

Firstly, if a joint venture conducts its financial operations on a hard currency basis, why can't its workers receive at least part of their pay in, say, West German marks? Where can this money be spent? Consumer goods in mass demand could be acquired for company members abroad, and it wouldn't be a bad idea to consider opening "Beryozka" type stores. Finally, Arendmash people could use their hard currency for vacationing in some Western country. They would be satisfied, and the state would gain. Secondly, it is necessary to decide on a wage scale. It is hardly normal that Finnish employees working alongside our own are getting several times more. Thirdly, Arendmash workers have to travel frequently. For the Finns there are special funds for this, but nothing for Soviet workers. The enterprise management has decided to increase per diem expenses to 15 rubles for all workers without exception.

There are many such "firsts" and "seconds." Still unresolved is the question of industrial safety, insofar as Finland has its own laws and we have our own. Perhaps the AUCCTU could have a say on this. There is the problem of vacations: the Finns have 35 days, we have less than half that time. The Arendmash management has decided that in dealing with social issues it is necessary to proceed from the consideration that the conditions of work and rest at our enterprises should be no worse than at similar foreign ones. Accordingly, it is planned to introduce a vacation time of 28 days, plus a Christmas week holiday. This should probably be regulated in some way by our own legislation, though under current provisions the company has the right to resolve social issues at its own discretion.

Arendmash has set extremely rigid hiring and worker training conditions. There is a three-month trial period for workers. Any violation of labor or production discipline is grounds for severing a contract. This may sound strange to many Soviet enterprises, but that was a joint decision of the collective. After passing the test period each worker signs a two-year contract. If there have been no adverse reports during this period, and a person has shown himself to best advantage, the contract is extended. But if there are any significant claims to the worker, he must go. It could be said that all this is too strict, but the workers think otherwise: there are no openings for laggards, absentees or drunks. Incidentally, Soviet laws are as harsh with regard to violators, if they were only used rightly.

The roundtable participants expressed interest in the planning of equipment use. In conventional collectives this is the most vulnerable spot: as often as not, because of managerial inefficiency at different levels, equipment is idle or used inefficiently. V. Sinitain noted that Arendmash did not have the kind of planning we are conventionally used to. A master schedule of equipment use is drawn up and fed into a computer. The location of all machines is always known, as well as the dates and hours they are in operation, and when they have to be moved to another construction site. Bookkeeping has been simplified to the barest minimum.

Of course, assessments of the forms and methods of labor organization at joint ventures vary. Some participants questioned the legality of procedures being introduced in some collectives. For example, A. Grinberg, senior research associate of the Labor Institute's section for labor in foreign countries, noted that to prevent the actions of some managers of joint ventures from being in violation of current Soviet legislation it would be useful to draw up a law not on joint ventures but on stockholding companies. They could provide for specific questions of profit distribution, financing different operations, etc. Stock-holders would have the right to vote at membership meetings and take a more active part in the implementation of various programs. Thus people could influence the implementation of social programs more effectively. In such a situation it would be easier to negotiate collective bargaining agreements between the management and the labor council or some equivalent agency. But until such time the managements of joint ventures will inevitably have to confront the restrictive provisions of Soviet laws in their activities.

After a spirited debate on this issue the participants nevertheless came to the conclusion that it would be preferable to enact a law on joint ventures. And it is important who will be drawing it up. If it is mainly only the Ministry of Justice, that is one matter. It could be affected by the convictions of some conservative legislators. If, however, such an act were prepared with extensive public involvement, especially members of the Joint Ventures Association, and with due consideration of a number of legislative provisions and recommendations

of the International Labor Organization, then the results could be more hopeful and promising for our economy.

Some of the debated issues will soon be taken under consideration by appropriate organizations of our country, with the active involvement of foreign experts. This was apparent from the presentation by I. Kutuzov, deputy executive director of the Joint Ventures Association. This public organization was set up just over 18 months ago, but it already has a membership of more than 200 joint ventures. In future there will certainly be many more. It must be said that experience has suggested important adjustments in the operations of joint ventures. As a consequence the Association's Charter is already outdated and will soon be revised.

Drafting a law on joint ventures is a matter of special concern. At present the Association is involved in this jointly with the Ministry of Justice. Notably, according to Kutuzov, recently a package of proposals aimed at improving the operation of joint ventures was submitted to the ministry. Many questions have already been taken into account in the draft. Hopefully, the ideas voiced at the round table will be carefully studied. Foreign members of joint ventures will also be asked to take part in this. It is important not to lose sight of problems of remuneration, labor contracts, recruitment and training of personnel, joint venture property, distribution of profits, and shipment of output abroad. Despite the diversity of issues, priority must be given to strategic economic problems and the interests of our state.

It was suggested that the magazine should deal more frequently with problems of the development of joint ventures and that Goskomtrud devote more attention to this matter.

Ya. Melamed chief engineer and technical director of Sovpolyuplas, a joint Soviet-Yugoslav enterprise, dealt with specific problems encountered in setting up this joint venture. Firstly, its plastics and polyethylene facilities, which, are located in different parts of Moscow, are obsolete. Recently modernization began, and a new building was built. For a long time foreign companies didn't want to have anything to do with the association. Finally, some Yugoslavs agreed to set up a partnership. They had competitive technologies and equipment. What were the Muscovites to do? Hand over the new facility for a joint venture? But the enterprise already had both current and long-term plans taking into account the new shops, while the output of the joint enterprise would not be credited to the plan of an operating state enterprise.

This is, so to say, one aspect of the matter. Conditions are no better in respect of material and technical supplies. Gosnab agencies and former superior organizations regard the joint venture as a "stranger" who should obtain supplies as best it can, perhaps with the help of foreign investors. But the Yugoslavs have already borrowed money in international banks and invested it in reconstructing production facilities! Viewed from the

point of view of the state, all this is in the interests not only of the collective. Thanks to the new joint venture the country will receive large quantities of consumer goods which are currently in short supply. Some of the output will be exported abroad. So is it beneficial or not? Unfortunately, such problems cannot be tackled comprehensively from a parochial standpoint and with only immediate considerations in mind. And here, Melamed agreed with the others, is where the need for a law on joint ventures is apparent. Moreover, it should cover not only their economic activities but the entire range of problems, including social issues.

Take the organization of an office for the joint enterprise. Build a new building? It would take a lot of time, and besides, funding is not always provided for this during initial operations. It is first necessary to earn some money, then build administration offices. Perhaps local government agencies could help the business to resolve such vital problems. Not as a handout, of course, but under a reasonable business contract. Equally urgent is the problem of residence for foreign specialists. The money is there, but there is no place to settle people. Hotel space in Moscow, Leningrad and other cities is totally unavailable. Some wheeling and dealing is required, occasionally involving dubious leasing contracts with cooperatives and individuals. That is why all this should be stipulated in the future law on joint ventures. It is especially important to clearly define the rights and obligations of executives, both Soviet and foreign. But at present, according to Melamed, the directors are the most unprotected employees of joint ventures.

Many of the roundtable participants drew attention to the need to quickly set up efficient, close-knit international collectives at joint enterprises. Pay alone is not enough. Foreign specialists frequently demand better amenities, sports facilities, they want to visit theaters, exhibitions, movies and meet Soviet people. Who should help organize this? The management? The specialists say they have no time. Trade union organizations are small and lack funds. Perhaps foreign experience could come in handy. At some Italian firms, for example, there is the position of social director, the second person at the enterprise. Commercial experts and the chief engineer rank in the third and subsequent places in the production hierarchy. Such a person (in Soviet industry this is the deputy director for personnel) is authorized to handle all social problems. He enjoys great authority at the enterprise, something our chief of personnel can only dream of.

It is very important that the trade union organizations of joint ventures be involved in problems of consolidating the collective. Unfortunately, their status hasn't been defined yet. G. Myakishev, a representative of the All-Union Federation of Joint Venture Labor Organizations, spoke in detail of the urgent tasks of trade union committees and other public organizations in this respect. He noted that, despite similarities in charter documents and

other agreements, each joint venture is a unique enterprise, with its specific features, activities and difficulties. All this must be taken into account in formulating social security measures for Soviet workers, in the first place. The Federation supports the principle that working conditions at every joint venture be not worse than at the foreign partnership organization.

He especially stressed that the Federation had begun functioning only recently and was faced with a wide range of problems stemming from the specific features of joint ventures. Firstly, is there a need for STK's [Worker Collective Council], and what would their role be at specific enterprises? Secondly, it is still not clear how collective bargaining should be handled. In our country we have a specific procedure, abroad there are usually other approaches. It is necessary to work out mutually acceptable solutions. Thirdly, at most enterprises and organizations in our country, some 80 percent of all trade union officers are volunteers. But in many capitalist countries even small collectives elect full-time functionaries. What should joint ventures do? This also must be considered. Finally, it is necessary to clearly define the terms of reference of labor organizations. In any case it is important to be well aware of our country's legislation and to study the relevant provisions in foreign countries. All this underscores the importance of the work of labor organizations at joint enterprises, and helping to organize it is one of the primary tasks of the All-Union Federation of Joint Ventures Labor Organizations.

The roundtable participants were very interested in the presentation by V. Topchiy, deputy manager of the Soviet-American enterprise Krovtek. This is hardly surprising, since Krovtek is one of the biggest joint ventures in the country. Its capital has already exceeded R10,000,000 and is growing. This organization supplies and installs high-quality roofing and waterproofing for various new and reconstructed facilities, as well as for irrigation systems, swimming pools, reservoirs, canals, foundations, tunnels, bridges, etc. The basic surfacing component is a light, single-layered roll of rubberized fabric made of triple ethylene-propylene rubber with diene copolymer. It has year-round projects in 22 Soviet cities. The technology makes it possible to work in conditions of large temperature fluctuations (from minus 60 to plus 80 degrees Celsius). The company offers a 20-year warranty on materials.

Topchiy drew attention to the fact that from the outset his enterprise had engaged in purely industrial activity. A number of complex, and sometimes very expensive, orders have already been filled. Emphasis is placed on quality rather than quantity. No job can be handed over to the customer without certification by an American quality inspector. This is one of the conditions of the joint agreement. The Americans legitimately feel that any decline in quality would impact adversely on the company's prestige. This is something that no self-respecting entrepreneur, who also respects his competitors, can allow. It wouldn't be a bad idea if this approach

were adopted not only by our joint ventures, but by all the country's enterprises as well.

It is also worth noting that during the initial period the entire profit of the Soviet and American sides of Krovtek was invested in expanding the company's industrial base. It is planned to build a modern, highly mechanized manufacturing plant as quickly as possible so as not to have to bring in materials and parts across the ocean. This is also the most effective way of expanding the new organization, and many other joint ventures could, perhaps, also borrow from this experience.

Topchiy noted that commercial deals and normal relations with foreign partners still suffered from a wide range of prohibitions, conditions and restrictions. This makes foreigners wary and often scares them away, causing them to take a wait-and-see attitude. Firstly, much is unclear concerning exports of output. It is considered that everything must be handled, as a rule, by a supervisory agency: the USSR Ministry of Foreign Economic Relations. Thus, the contractual monopoly remains and joint ventures are bound hand and foot by various instructions. Secondly, if a state enterprise sends specialists abroad to learn something new, no licenses are required. But a joint venture needs such a document. Thirdly, contacts with foreign partners remain complicated. For example, to obtain a visa to some country one again has to go begging to a superior organization, that is, to the ministry. Fourthly, at present virtually every joint venture has to deal with 14 government agencies: the Ministry of Finance, Gosplan, the Ministry for Foreign Economic Relations, the superior ministry, the customs service, foreign economic agencies, etc. And with each one it is necessary to "settle issues," come to terms, sign numerous documents. Is all this really necessary today?

There are many complaints about the monopoly status of Vneshekonombank. Why can a foreign partner go to any bank of his choice, while we have only one? And, naturally, it dictates its own, very rigid conditions. There is an apparent need for a Soviet banking law.

These and other problems were the subject of spirited debate by the roundtable participants. With the passing of a joint ventures law many obstacles will, probably, be removed, but there is still very much to be done. It is necessary to involve departments which deal with joint ventures to some degree or another in resolving these problems. Legal guarantees are needed throughout.

Of course, some of the roundtable participants spoke more of their individual concerns, things that had to be resolved right now, so to say taking a specific, "narrow departmental" approach. But this is also natural: truth is born in argument. As often as not, major problems originate at the lower levels. It was clearly established during the debate that our country needs joint ventures.

They provide an avenue for introducing the achievements of scientific and technical progress and for developing a planned market economy. They create an atmosphere of competition, oppose monopoly interests, prevent stagnation, and constantly disturb the peace in economic life by offering new products and introducing better forms and methods of work organization. A noteworthy feature in the action programs of many joint ventures is their targeting of efforts to study world experience in the development of, primarily, relatively small enterprises and the entire range of international contacts, their active involvement in the integration processes taking place in the world. The main thing, though, is to help our economy to establish mobile, dynamic, high-tech production structures.

There is no doubt that the developed countries of the West have accumulated extensive experience in joint ventures. The task of our ministries and departments is to study and analyze that experience. On the other hand, in the opinion of several roundtable participants, it is meaningless to borrow it mechanically and build models on this basis. The main thing for us now is to figure out a strategy for the tangible development of joint ventures so as to avoid turning this matter into just another campaign and thus doom it. It is necessary to take into account the product range, type of activity, markets, ability to provide services, and many other different factors. Joint ventures may also, among other things, make it possible to introduce different forms of property and to keep them competitive. Ultimately, this would also promote the transformation of our economy.

Many joint ventures will, doubtlessly, need information and consultation services on fiscal, currency, contractual, legal and other issues, as well as on the training and advanced training of personnel. In this connection, it is necessary to raise the role of the Joint Ventures Association and other Soviet organizations.

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Convertible Ruble Key to Effective Relations With CEMA Countries

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[Article by T. Alibegov, first deputy chairman of the governing board, USSR Foreign Economic Bank: "Accounting—In Convertible Currency"]

[Text] Even at the beginning of this year, the Soviet Union's proposal to change over economic relations with the CEMA countries to common world conditions of trade resounded almost as a sensation both in our country and throughout the world. In less than 6 months, this problem is already being discussed by the Council participants as a fully natural condition for changing the system of economic ties between us.

This idea has been long in maturing. Yet the material prerequisites for its implementation emerged with the disintegration of the command-administrative system. After all, it was specifically this system which in the early 60's gave rise to the multilateral system of mutual accounting of the CEMA members instead of the bilateral clearing of agreements which had been in effect before. The intention was as follows: To create conditions for cooperation and coordination of plans, and then from this plane to take a step higher—toward the introduction of a collective currency (transfer ruble) or to free convertibility.

However, the creators of this project did not take into consideration one "small" detail: The very concept of convertibility of currency is incompatible with command-administrative management of the economy. It was specifically this contradiction which did not allow them to bring their devised plan to its logical end. In fact, at the first step there was a certain freedom of accounting achieved within the framework of action of the transfer ruble. This stimulated the growth of ties between the partners. Their trade in the 60s and 70s continually grew. Agreements on cooperation and integration appeared, as well as an integrated program of scientific-technical progress.

However, the close framework of these agreements, protocols and programs did not give any room for the development of economic ties. The matter was made worse by the imperfection of the domestic systems of price formation. So it was necessary to resort to state subsidies. This, in turn, led to the appearance of "profitable" and "unprofitable" goods in trade. We were moving ever more assuredly toward the barter system—commodity exchange.

This situation was intensified also by the fact that the prices on power and raw material reserves were set on a sliding scale by the five-year plan, while the world prices fluctuated sharply. As a result, barricaded off by the thick fence of our own price formation, the prices on equipment and consumer goods began to exceed the world prices by 2-3 times.

Here is how the price "scissors" appeared: The USSR sold energy sources more cheaply, but paid more for machines and consumer goods than on the international market, and lost quite a bit in doing so. Poland alone, according to the computations of its own economists, came out around \$2 million a year ahead on this. A similar situation was formed also in the trade with the other CEMA countries. And what was the result? Due to a drop in prices on raw materials, we found ourselves in debt to our partners! Most of them, obviously, were not necessarily disposed toward giving us aid in the form of compensation, since they had their own currency problems. Add to this one other rather important circumstance. The state subsidies to the East European countries began to be noticeably reduced due to the transition to cost accounting principles. Aside from this, they began

to establish discriminating exchange rates of their currencies toward the transfer ruble, and advantageous ones toward the dollar. The divergence reached a difference of 3-4 times. From this, the desire of the enterprises of these countries to raise prices even higher on their products intended for the USSR, and even the achieved serious cooperation of production, did not allow importers to curtail this rise in prices.

You will recall what result we came to in the early 80s: The system of multilateral accounting had exhausted its capacities for expanding and intensifying economic ties between the CEMA states, and moreover began to hinder their development. The volume of our goods turnover with them declined. Not only did the reduction of prices on power sources play its role here. The enterprises of many of our partners began to reduce their exports to the Soviet Union. That was the case, for example, with the sale of Polish ships. In other words, our closed, low-technology and on the whole unprofitable market no longer suited the enterprises, and they set their sights on the world market.

Economic reforms in our country and in Eastern Europe accelerated the realization of the immediate need for a radical change in the currently operating foreign economic mechanism of CEMA. Only a decisive and sharp departure from the former methods can bring all our trade-economic ties to a normal, and then to a higher level, and awaken new stimuli in the specialization and cooperation of production. After a serious study of the entire set of problems and repeated consultations with the interested countries, N. I. Ryzhkov presented the well-known Soviet proposals at the Sofia session of CEMA in January of this year.

The essence of our proposal is trade at competitive world prices, which makes it part of the world division of labor. And then the mechanism of accounting which ensures equal conditions for all the partners without exception. Today this may only be accounting in freely convertible currency. Any other method, isolated from the all-world system, limits the freedom of choice and competition of the exporters as well as the importers. And as a result the effectiveness of foreign economic operations suffers.

Does this mean the disintegration of the cooperative or other ties which we have formed? Not in any case. After all, we were not the ones who devised production cooperation and specialization. Rather, they are inherent in world economic relations and are an inalienable element of them. As for the economic relations which exist in our country, they will undergo definite changes and will be transferred ever more to the level of direct enterprises, and the basis for them must be mutually beneficial long-term agreements.

There is no doubt that such a serious breakthrough in trade-economic relations of the CEMA members cannot occur easily and painlessly. First of all we cannot think that there is a place waiting for each of us on the world market, with an equipped store counter. It must still be

won, and this is not so easy to do. It is just as difficult, and sometimes impossible, to break the ties with the CEMA market which have been formulated for decades. We must not forget that a significant part of the production of the CEMA member states is oriented toward the high-capacity Soviet market which is not as exacting as in the West. Evidently, within the course of some time we will have to retain the goods lists for exchange, even though they must not bear a mandatory character now, and we must ever more bravely rely on the laws of open competition.

The greater or lesser tension in certain countries will necessitate a liquidation of one-sided and unsubstantiated price incentives, and the status of accounting will change in favor of the Soviet Union. In connection with this, some economists maintain that only our country will derive benefit from this. However, these affirmations may hardly be considered justifiable. It is a generally known fact that trade at world prices equalizes the conditions for all and specifically deprives one side or the other of advantages which it used prior to this. One way or the other, the CEMA participants are coming to a single conclusion: The transition to a new mechanism of foreign economic ties and accounting is necessary for continuing and intensifying the economic reforms which are being implemented in their countries.

Conference on Prospects for International Tourism in Eastern Europe, USSR

*90UF0317A Moscow PRAVDA in Russian 10 Jul 90
Second Edition p 7*

[Conference Report by A. Boldinyuk, special PRAVDA correspondent, Warsaw-Moscow: "We Travel, Travel . . . Travel?"] [txt][Text] When every day we encounter difficulties, to talk about changes for the better regardless in what sphere has become unfashionable. But in the meantime many of us have been affected by changes that are connected with the age-old craving to travel.

The policy of openness has permitted hundreds of thousands of Soviet citizens to make trips abroad, which have not entailed, as before, senseless formalities and restrictions. Not far off already is the long-awaited law on the entry and exit from the USSR, which will put the citizen of our country on a par with the inhabitants of the rest of the world.

However, on a par? Already now, when the stream of those wanting to spend time abroad (I am not speaking of those who are inclined to leave "for a permanent place of residence") is still being restrained by the lines at the doors of OVIR [Visa and Registration Department], the possibilities of air and railway carriers, banks, and customs facilities have reached the limit. All heard the news from the Soviet-Polish border, where traffic jams extending for many kilometers developed, fresh in the memory is the case of Soviet tourists, for whom they did not even exchange pocket money. . . .

The sphere of international tourism, possibly, contains not only problems, but also the prospects for their solution. A multitude of people in the West would like to have a look at the Soviet land and, speaking in more material-minded language, leave their dollars in our country. Capital investments in hotel business and tourist services pay for themselves in a few years and bring stable profits. It would seem, here one can also scoop up funds for the development of domestic tourism, for securing for the Soviet person who finds himself abroad at least decent conditions for his stay. But in everything that pertains to the extraction of economic advantage, our successes for the time being are extremely insignificant.

There remains nothing else to do but to learn—from those who have been successful in profitable tourist business. This was the subject of the conference "The New Europe", which was held in Warsaw—a sort of "small summit meeting of experts from the East and the West, who are studying the problems of the organization of international tourism and transportation. The meeting was organized by Orbis—the largest Polish tourist agency, which during this year is observing the 70th anniversary of its founding. The first conference of this type after the events in the East European countries made it possible for the participants to exchange views about the creation of a new system of tourist exchanges in Europe.

It goes without saying, at such meetings we should, for the time being, do more listening than speaking. Leading Western companies have accumulated experience which is worth a close look. However, the importance of this conference consisted in the fact that representatives of new tourist organizations—agencies, firms and associations under joint enterprises. In Poland, for example, along with Orbis, there are hundreds of small offices in operation today that offer the most diverse services in the sphere of trips abroad.

Similar agencies are also being created in our country. It seems that the links which are established by them with foreign partners will be of benefit to the development of tourism. Monopolism in this sphere had no less pernicious an effect than in any other sphere and has today become an obstacle to increasing the number of guests of our country. By the way, the State Committee for Foreign Tourism is today moving in the direction of demopolization, creating ever new joint enterprises with Western partners. However, the Soviet market in many respects remains even for European tourist companies "terra incognita", which still remains to be discovered.

The creation of an "all-European home" also presupposes a new look at tourism, which to an ever greater degree is becoming a means for the development of good neighbor relations. Obstructions and difficulties in the path of international exchanges are surmountable, and the advantage from this will not only be an economic one. The possibility of seeing faraway and neighboring

countries must be had by every person, and the guarantee of the right to foreign travel—precisely the guarantee, and not a simple declaration—is within the capability of the tourist business itself. At least if it is not interfered with.

Latvian Program For Foreign Economic Relations Outlined

90UF0301A Riga *BALTIYSKOYE VREMENYA*
in Russian No 23, 18 Jun 90 p 3

[Ya. Payders Interviews Voldemar Gavars, deputy chief of a department of the Latvian Republic Council of Ministers Directorate For Foreign Ties: "Latvian Foreign Trade: Path To Independence"]

[Text] One of the main steps on the path to independence is Latvia's independent foreign trade. Voldemar Gavars, deputy chief of a department of the Latvian Republic Council of Ministers' Directorate For Foreign Ties, discusses the opportunities and obstacles in this area.

[Payders] When did the Latvian government begin drawing up a program to reform its system of foreign ties?

[Gavars] Latvian economists are well aware of the fact that strict centralization of foreign ties cannot function effectively for very long, and so efforts began to draw up the reform programs back during Yu. Ya. Ruben's leadership. Preparatory work got under way in 1987, thanks to which the "Interlatvia" program was established. Under this program, proposals were drawn up for the organization of foreign trade under Latvian economic independence. These proposals were subsequently taken into account in the USSR Supreme Soviet Law on Economic Independence of the Baltic Republics. However, the law granted us only pro forma rights, since it has an amendment stating that in any event, everything has to be reconciled with the USSR's interests. On February 7, 1990, the USSR Council of Ministers adopted resolution no. 120, which sets forth guidelines for broadening the republics' rights.

[Payders] Can we assume, then, that the long-awaited independence is about to become a reality?

[Gavars] We would like to control our trade resources ourselves and to issue licenses for goods produced in Latvia. The USSR Council of Ministers resolution provides for such rights, but once again there is an amendment about reconciliation with the USSR's interests. In reality, this means that the Latvian government must reconcile with the USSR the list of goods for which licenses could be issued in Latvia within the framework of a quota established by the Soviet Union. Latvia drafted corresponding decisions and documents, but after the declaration of Lithuanian independence, the USSR blocked a resolution of these issues. Now Latvia can independently register joint enterprises and open offices of foreign firms in Latvia, the potential for foreign tourism has expanded, and the Latvian Foreign

Relations Bank has been authorized to operate. Incidentally, such banks have been functioning in Lithuania and Estonia for some time, but in Latvia it began operating only a few weeks ago.

[Payders] However, no progress is to be observed in the sphere of foreign ties as yet. All nonplan activities by Latvian enterprises have been virtually halted. In order for economic independence to become a reality, it is essential to earn foreign currency. Where, in your opinion, is it necessary to start?

[Gavars] Today everyone is saying that he is earning or intends to earn foreign currency. However, in comparison with earlier years, we have begun receiving far less. First and foremost, we must put our own enterprises [farms ?? khozyaystva] in order, and balance expenditures with possibilities. We spend three times more foreign currency than we earn. I believe that expenditures could be significantly reduced if we were to begin producing many goods ourselves. There is no need to buy many electric goods, communications instruments, or, for example, buses from Hungary for 100,000 foreign-currency rubles.

[Payders] What products currently bring the most foreign currency receipts?

[Gavars] The output of the machinery manufacturing, radio equipment, furniture, wood-processing, and food industries.

[Payders] What share of foreign currency income does tourism account for?

[Gavars] A negligible share, approximately 3 percent to 5 percent of the total foreign currency volume.

[Payders] Does that mean that even if this group of revenues were to be increased severalfold, the overall foreign currency fund would not perceptibly change?

[Gavars] I can't imagine how we could currently bring about a significant increase in tourism. We do not have the appropriate infrastructure. Building a medium-sized hotel requires a \$50-million credit. We are currently drawing up various projects, but problems abound—where are we going to get the money and construction materials, who will do the building, and so on.

[Payders] Many Deputies of the "Equality" faction believe that the only way to ensure the rapid development of Latvia's economy is to buy raw materials cheaply from Russia for rubles. Perhaps Latvia's foreign ties should be geared toward the awakening Eastern market?

[Gavars] In my opinion, the Eastern market will become profitable for us only when we are separated by a real border, a customs system, and independent finances. Imagine what would happen to Finland if its border were open and the ruble was the Finnish currency?

[Payders] Won't the attraction of foreign capital ease the difficulties of the transition period?

[Gavars] Undoubtedly, but for the time being we lack the necessary conditions to attract Western capital investments. In my view, it will be difficult to create them even in two to three years. First, Latvia must guarantee foreign investments. Second, a normal financial infrastructure (banks and so forth) is required. Third, a corresponding economic service infrastructure (roads, communications, etc.) is needed. But most importantly, political stability is necessary. Until a treaty is concluded with the USSR, there will be no foreign investments. The law on property as well as other economic laws will really begin functioning only after relations are normalized with the USSR.

Moldavia Signs Trade Protocol With Burundi

90UF0326A Moscow *IZVESTIYA* in Russian
8 Jul 90 p 2

[Article by E. Kondratov: "Moldavia: Trade Agreement With Burundi"]

[Text] The Moldavian SSR is establishing direct economic relations with the Republic of Burundi. A protocol on mutually beneficial trade between the two sovereign republics has been signed at the minister level. ***

This protocol resulted from a visit to African countries by a delegation from the Moldavian SSR, for the purpose of exploring possibilities of doing business. The talks in Bujumbura demonstrated that barter transactions involving exchange of raw products and manufactured goods are of considerable interest both to Burundi and Moldavia. The Burundians are willing to purchase metal products, steel reinforcing bars and rods, pipe, electrical equipment, electrical appliances, and household utensils. In return they will supply high-grade tea and coffee, cotton textiles, hides, and exotic fruits: avocados, pineapples, passionfruit, and papayas. This is at least the initial list of stated goods. It will be substantially enlarged after exhibits and trade fairs are held in the capitals of these republics in the near future, featuring goods produced in Burundi and Moldavia.

The protocol also contains other important provisions. The two parties have agreed, for example, to establish—Air France is willing to assist in this endeavor—a joint air carrier, to be called Moldova-Burundi, which will handle all cargo shipments. Joint ventures are to be established in the near future: a coffee-bean roasting facility in Moldavia, and an enterprise in Burundi to produce building materials using Moldavian technology, as well as a cannery for processing fruits and fruit juices. In the future canned fruit and juices will also be produced at Moldavian enterprises. Soon trade and economic missions of the two republics will open in the two capitals, and the government of the Moldavian SSR will offer scholarships to college students from Burundi.

Why is the Republic of Burundi showing heightened interest in partnership not with highly-developed industrial powers but with such a small republic as the Moldavian SSR, which is approximately equal to Burundi in population and area?

"Burundian businessmen and patriots are unhappy with their national economy's total dependence on capital owned by the countries of Europe and Southeast Asia, for which their homeland has been and continues to be merely an extremely cheap source of raw materials," replied K. Yavorskiy, leader of the Moldavian delegation and republic minister of material resources. "In an economic partnership with Moldavia based on equality they see an opportunity to boost their own industrial potential, if for the time being only in the area of fruit processing and canning. The Burundians have a low standard of living, and for this reason our less expensive and therefore more affordable manufactured goods and materials are very attractive to them. Frankly speaking, there are also unquestionable benefits for us from such a partnership. Our delegation is extremely grateful to V. Sofinskiy, USSR ambassador to the Republic of Burundi. It was he who convinced the Burundians that direct relations between the USSR union republics and foreign countries are not only not in conflict with but also promote the cause of perestroika in the Soviet Union.

Austrian Economic Affairs Minister on Trade Relations with USSR

90UF0372A Moscow *IZVESTIYA* in Russian
25 July 90 Morning Edition p 5

[Article by S. Tosunian, on Wolfgang Schussel's Opinion of Austro-USSR Trade Relations: "Austria: Searching for New Paths"]

[Text] Austria and the USSR are longtime foreign-trade partners. Experience has shown that the possibility for long-term successful development of economic ties between our countries is far from exhausted. In the search for business partners in the USSR, some Austrian companies are entering the ranks of traditional forms of establishing contacts with Soviet organizations. Doctor Wolfgang Schussel, Austrian Minister of Economics, discusses this topic with an *Izvestiya* staff correspondent.

Trade and economic relations with the Soviet Union are extremely significant for Austria. They have received additional impetus and intensified as a result of the political negotiations that have taken place in the last few years during the visit by Nikolai Ryzhov, head of the Soviet government, to Austria, and the visit by Franz Vranitzky, Austrian Federal Chancellor, to Moscow.

The numerous agreements and treaties concluded between our governments have served as a basis for long-term development of trade and economic links between Austria and the USSR. I will note only a few of them: the long-term agreement on barter, the long-term

program on the development and intensification of economic, scientific-technological, and industrial cooperation, and the agreement on development of the tourism industry.

True, several years ago as a result of the sharp drop in oil prices, as well as the exchange value of the American dollar, our mutual import-export operations declined somewhat. But since 1988 a period of increase has begun once again. Barter has steadily begun to grow and is now valued at almost 20 million shillings. Nearly a third of our Eastern European exports go to the USSR, and an equal amount of our imports are from your country.

It should be especially noted that a joint Austro-Soviet commission on scientific-technological cooperation is playing a major role in the development of our relations. Our experts are preparing all the important documents for working out future agreements in the working groups of this commission. Current issues of cooperation, fulfillment of signed agreements, and protocol are discussed in the annual plenary sessions of the commission. In addition, measures for rendering assistance by cooperation with one another are being worked out by Austrian and Soviet firms and organizations.

Key decisions regarding assistance establishing direct contacts between small and mid-size firms and Soviet enterprises were adopted in the last plenary session that took place February 5-8, 1990. Questions on the financing of these projects was discussed as well.

Finally I want to note that the joint Austro-Soviet enterprises, created on USSR territory, are growing at a sufficiently rapid rate. Their number has now reached 120 and I am certain that this is not the limit. Our reserves of cooperation are great.

I hope that the efforts of the newspaper *Izvestiya*, intended to assist the partners in finding one another and in providing business contacts through the publication of advertising, will facilitate the strengthening and expansion of mutually profitable economic links between Austria and the USSR.

S. Tosunian, Vienna

"Swedish Model" of Socialism Described

90UF0209A Moscow *PRAVDA* in Russian 3 Jun 90
Second Edition pp 2-3

[Interview with O.K. Timashkova, doctor of historical sciences, by Mikhail Kostikov: "What Kind of Socialism Does Sweden Have?"; passages in boldface as published]

[Excerpts] When Olof Palme was the leader of the Swedish Social Democrats and the prime minister of Sweden, he was once asked what socialism is. There are dozens of definitions, he replied, and if I make up a new one, it will not make much difference.

In recent years many people in our country have argued about what kind of socialism we have and about whether

we have any kind of socialism at all. We sometimes hear that ours is the barracks brand of socialism and that the Kingdom of Sweden has real socialism.

After some journalists, writers, and even parliamentarians started the ball rolling, the term "Swedish socialism" became a catchword in our news media. I think that most of those who use the term so freely have only a superficial knowledge of Sweden and its sociopolitical characteristics. For this reason, I feel that comparisons of this kind can be destructive and can confuse many people. Our readers also have questions about this, and many of them have come right out and asked why, if the Swedes have achieved perceptible results in the development of their society, we are not borrowing all of the elements of their experience that might make our perestroyka more dynamic and effective.

We should find out, therefore, exactly what the Swedish model of socialism is and whether it actually exists. This was the subject of a conversation with Doctor of Historical Sciences O.K. Timashkova, the author of several books and papers on politics and economics in present-day Sweden.

[Timashkova] It is true that today, in these difficult years of our perestroyka, the Swedish model of social development has aroused the interest of political scientists, economists, sociologists, and even just people who are curious about the many different structures and systems in the world.... It is also true that when Soviet people finally gain a knowledge of this country that goes beyond what they have learned from books, they "rediscover" Sweden, recognize signs and features of the kind of socialism that the best human minds once dreamed of, and see a society in which many of the values which have always been associated with socialism in our minds have already been materialized within the lifetime of current generations.

[Kostikov] Does this mean that we can agree that a special type of socialist society has been built in Sweden?

[Timashkova] Not at all. Sweden was and is a capitalist country, and the proof of this is in its social order and in its economic, class, and political structures. The whole problem is that our social thinking was restrained for too long by propaganda cliches and dogmas. We were deprived of the right of objective analysis for too long. Of course, it is still difficult for us to imagine that in addition to "classic" socialism, a variety of social development and social existence can evolve in the capitalist society and still offer the individual favorable opportunities, a high standard of living, a high quality of life, and legal and social protection—important elements of the Swedish model. In fact, even when the Swedish Social Democrats speak of socialism, they always add the adjective "democratic." They are more likely to interpret it as a better society with a socialist ideal, to which the labor movement is still committed after reaching its present status as a result of persistent struggle.

[Kostikov] But let us return to the model. After all, this is our main topic. Last November an interview with USSR Minister of Foreign Affairs and member of the CPSU Central Committee Politburo E.A. Shevardnadze was printed in DAGENS NYHETER in Sweden. In particular, he said that the Swedish model has been of interest to us for a long time, but we are more interested in it now than ever before, and on the level of practice as well as theory. What does this mean?

[Timashkova] In contrast to the socialist ideal, this is a reality, based on gradual reforms and years of action by ruling circles—consisting of the Social Democrats, who make up the largest and most influential political force in the country.

This unique phenomenon is the result of a variety of different social structures and of a specific stage in the development of the workers' movement and its maturity. It is no coincidence that the present model began to take shape in 1932, the year when the Social Democrats began to govern the country, and they have remained in charge, except for brief intervals, for more than 50 years now. This is certainly an indication of sufficient time and experience for the gradual implementation of the principles of this model.

In my opinion, the Swedish model is social development of the reformist variety, and not bourgeois, but the social democratic variety assigning the highest priority to the improvement of people's lives. The most distinctive feature of Swedish social democracy is the social "coloring" of the policy of reform, the purpose of which is the welfare and security of the individual and, consequently, of the entire society. This is the direct result of the activity of the workers' movement as a whole: trade unions, leftist forces, and the entire laboring public, who were able to curb the inordinate appetite of big business and convince it to make important and sometimes far from voluntary concessions. We must admit that elements of socialization and progressive changes can also be seen in other Western countries, but in Sweden they are reflected in more concentrated form because of the distinctive features of this country. These processes are reflected not only in the reaction of the dominant classes to the "social challenge" of the masses, but also in new trends in the development of contemporary civilization.

[Kostikov] Economic practices in Sweden also have important distinguishing features. According to social democratic ideologists, the theoretical foundation of these is so-called functional socialism, or socialization without nationalization. What is the purpose of this?

[Timashkova] The purpose is to maintain private ownership of the main means of production while divesting capital of some of its important functions—for example, the right to make all decisions on income, the lion's share of which is redirected into the budget through the taxation mechanism for redistribution through various channels and in various directions for the resolution of socioeconomic problems.

It is not surprising that although the mixed economic system consists of various different forms of ownership—state, private-monopolistic, communal, and cooperative—the prevailing type is private ownership (85-90 percent of the production sphere), where the main decisions are made by large export-oriented concerns and financial-industrial groups and by transnational companies. Who has not heard of the "empire" of the Wallenbergs—the uncrowned kings of Sweden? The mixed economy exists in virtually all developed countries, however, and quantitative proportions are not the main thing. There are national differences in the interaction and reciprocal jurisdiction of these forms in the national economy, in the "niches" they occupy in this economy, and in their role in the functioning of the model.

Another important fact is that although certain economic processes are regulated by the state in the market economy, the private sector is virtually free of petty state administration and develops in line with the laws of competition.

Some members of the Swedish business community maintain that the size and quality of the national "pie" depends on strong and effective private enterprise, while the standard of living and the fair distribution of material goods depend on strong and effective political administration.

It must be said that it is precisely in Sweden that strong government regulation has been balanced to some extent with the free play of market forces, the very situation described as the ideal in the works of well-known American economist W. Leontief.

[passage omitted] [Kostikov] Unemployment, the constant companion of the market economy, is virtually non-existent in Sweden. How would you explain this?

[Timashkova] Low rates of unemployment can also be seen in some other West European countries, in Switzerland and Norway, for example, and are often connected with favorable conditions, including temporary states. In Sweden, however, this is primarily the result of the effective regulation of employment and of broad and flexible policy in the labor market.

In fact, employment has always been of the highest priority in the reform policy of the ruling Social Democratic Party. It began its "odyssey" in the sphere of reform by planning ways of eliminating unemployment. The Social Democrats were guided by a dual objective: guaranteeing the individual's right to work—one of the important principles of the workers' movement—and establishing a system for the training of highly skilled manpower for modern industry.

Special mechanisms were developed to regulate employment. One of these, the Labor Market Administration, a government organization made up of representatives of parliament, trade unions, and companies, performs job placement services within the framework of programs for the creation of jobs and the professional training and,

in particular, retraining of workers with a view to requirements for more highly skilled personnel. This is one of the reasons why labor is valued so highly here and why strikes are so rare.

In general, because of intelligent government policy, unemployment in Sweden did not exceed 1.5-2 percent of the self-supporting population even in the crisis years of the 1970s and 1980s. Of course, unsolved problems still exist—for example, the placement of young people in jobs, and especially in specific specialties, although the government does subsidize enterprises hiring young people. In all, allocations for the regulation of employment represent around 8-9 percent of the state budget, and the number of people covered by this policy is equivalent to at least 4 percent of the labor force.

I am discussing this matter at length because unemployment might become a grim reality in our country while market relations are being developed and the market is being established, unless a system of effective preventive measures is planned in advance. The study of the Swedish experience would be of practical value in this case also.

[passage omitted] [Kostikov] Do you think the Swedish model will change in time? What could make it change?

[Timashkova] While the Swedes are retaining their unique national features, they are also adapting to the new realities of world and European events, particularly the increasing internationalization of economic and social affairs and the new stage in the development of integration. Social existence and socioeconomic conditions are being equalized on a common European level. This, however, is being accompanied by another distinct tendency—the preservation and development of the sociopolitical features of the model the rightwing groups in the bourgeois coalition governments of the 1976-1982 period tried to dismantle and eradicate. Now that the Social Democrats are back at the helm, they want to update the model with a view to changing conditions and achieve economic recovery without lowering the levels of employment and welfare, because they assign the highest priority to the quality of life.

[Kostikov] What, in your opinion, is the secret of the Swedish model's longevity? Why is it firmly ensconced in the minds of broad segments of the population as an appealing alternative to other varieties of social development in the West and the East?

[Timashkova] To put it concisely, the secret is simple: a highly productive policy of reform and a combination of objective and subjective factors making this policy possible.

When Soviet researchers discuss these factors, they mention, among others, the favorable economic conditions that served as a basis for sweeping social reforms, and the existence of a strong and influential Social Democratic Party and trade unions united by the idea of social partnership and carrying its principles over to the sphere

of relations between labor and capital. Besides this, there was the country's non-participation in devastating wars for more than a century and a half and the advantages of neutrality. The success of the policy of reform was largely due to the positive attitude, based on a nationwide consensus, of virtually all social groups toward reform.

In this way, the unique features of the national experience were accumulated in the model chosen by the Social Democrats, and a type of social development meeting the interests of the broadest possible segments of the population took shape while the country retained its existing political order and its place in the world capitalist system.

This is why the Swedish model still arouses the interest of the international workers' movement in the East and the West. We should recall that W. Brandt recommended that we turn to the north and learn from the Swedes.

[Kostikov] In my opinion, the Swedish model has geopolitical limitations for many reasons and probably could not be exported anywhere in its entirety. What do you think?

[Timashkova] Export-oriented Swedish companies are storming the world's markets with the assertiveness of the ancient Vikings. The Swedish model itself, however, is unlikely to ever be exported. It has too many unique and distinctly national features.

A scrupulous examination of the Swedish experience is absolutely essential. On the level of theory, the results of each stage in the functioning of the mixed economy and the role and significance of various forms of ownership in the effective interaction that creates the favorable conditions for the country's socioeconomic development are of indisputable interest, but we must always remain realists. We must always remember that the possibilities for the extensive use of this experience in our daily life are objectively limited. Above all, we must consider the differences in the initial positions of our economies, traditional standards of living, and the social sphere. Furthermore, we must realize that the material foundation of the model is a strong and effective economy with a developed service sphere and a mature social infrastructure. This is something our society still has to achieve.

Nevertheless, the main thing for us in the Swedish experience is the productivity and expediency of peaceful civilized methods of improving people's lives and satisfying the public interest through mutual understanding and consensus. These have withstood the test of time and of past and present experience.

In this conversation we discussed only a few aspects of the Swedish model. The specific economic and social features of present-day Sweden are much more varied, and processes within the country are sometimes extremely contradictory. The social consensus is occasionally disrupted by an outburst of sociopolitical conflict. In short, things do not always run smoothly in the Kingdom of Sweden.

Ruling circles, represented by the Social Democrats, are trying to adapt to the new situation by resorting to conservative policies of "economic austerity," wage controls, and other unpopular measures. This is also characteristic of present-day Sweden.

Turkish President Interviewed on Domestic, International Issues

90UF0307A Moscow *IZVESTIYA* in Russian 6 Jul 90 Morning Edition p 5

[Interview with Turkish President Turgut Ozal conducted by *IZVESTIYA* special correspondent V. Vyzhutovich: "I Swear an Oath to Freedom. The President of Turkey—What He Serves, What He Believes, and What He Hopes For"]

[Text] Two years ago it was only the microphone stand that saved him from a bullet. At that time he was the prime minister of Turkey and general chairman of the ruling Party of the Homeland. Turgut Ozal was once again in the line of fire (this time, fortunately, not smelling of gunpowder) of his political enemies in the fall of last year when he announced his candidacy for the office of president.

The crushing defeat which his party suffered at the last municipal elections would suggest, it would seem, that he should moderate his political aspirations and not tempt fate one more time. However, he exercised self-control. Having overcome the resistance of circumstances and having survived with dignity the boycott of the opposition parties which demonstratively did not participate in the presidential elections, T. Ozal, a most experienced 62-year old politician, was elected head of state in the third round of parliamentary voting. He became the first civilian president since 1980, replacing General K. Evren, who had come to power on 12 September 1980 as a result of a military overthrow.

Turgut Ozal graduated from Istanbul Technical University with a master's degree in electrical engineering. He began his state service in the Ministry of Energy and Natural Resources and participated in the development of the first 5-year plan for the economic and social development of Turkey. He assumed the post of deputy prime minister on economic questions in the governmental cabinet formed after the military overthrow. After removal of the ban on military participation in political activity in the country in May of 1983, he became one of the organizers of the Party of the Homeland and its general chairman. He was appointed prime minister that same year.

After taking his oath of office, T. Ozal presented a speech in which he defined the primary directions of his political course. A necessary condition for attaining the level of a civilized state, he said, is the retention and continued development of the "three basic freedoms"—freedom of thought, freedom of conscience, and freedom of initiative.

The interview published today with the president of Turkey was held quite recently. The conversation was preceded by trips throughout the country, where I, together with my colleagues from France, Italy, West Germany, Portugal, Spain, and Poland, had been invited by the Turkish government to celebrate the 70th anniversary of the Grand National Assembly. Before being greeted by the head of state, we met and spoke with Turkish Prime Minister Y. Akbulut, the head of parliament K. Erdem, Minister of Foreign Affairs A. Bozer, leaders of the opposition parties D. Baykal and S. Demirel, deputies, and local journalists... The discussion centered around the political situation in Turkey, its economic problems, and the difficulties in attaining democratic experience. T. Ozal summarized these meetings and discussions.

[Correspondent] Mr. President, in taking an oath to be true to freedom, what have you done and what do you intend to do to implement the proclaimed course?

[Ozal] This course corresponds with my political convictions. Many times before I emphasized the need for free development of our state. Freedom of thought, freedom of conscience, and freedom of enterprise—that is the foundation for the realization both of democracy and the economic uplift of the country. We are trying to eliminate everything that hinders this, guided by the interests of the cause and by common sense. Perhaps changes will be introduced into the constitution and laws of Turkey, if the situation demands. Respect for the "three basic freedoms" is mandatory for all state organs and for every citizen. As president, I am watching carefully to see that the government invariably follows democratic principles.

[Correspondent] It is obvious to all how freedom of enterprise has already enriched Turkey: The country is on the upswing. Freedom of enterprise in Turkey is clearly evident and tangible. The abundance of industrial goods and food products, which did not exist 10 years ago, is the most convincing argument in favor of a [free] market, which was used to frighten the Soviet citizen for 72 years. Now even we have finally decided to take the step. How do you evaluate the prospects in this endeavor which is totally revolutionary for us? Does Turkish experience in changing over to a market [economy] teach us something? Does it warn against something?

[Ozal] I have been in the USSR three times and have read many books about it... What can I say? Your problems, unfortunately, are more acute and serious than ours. If we speak of transition to a market, it seems to me that first of all it is necessary to legalize that which you call the "shadow economy". This is normal private enterprise, for some reason forced into the "shadows". Quite recently we also suppressed private trade with foreign countries, and American cigarettes were brought into Turkey as contraband. Today we have legalized this business and receive great profits from taxes. Why should we use cumbersome prohibitions to stifle

freedom which brings both the citizen and the state treasury benefit and profit? We even encourage free trade in gold, and it has increased several times over. At the same time, contraband has been sharply curtailed, we might even say eliminated. Freedom of enterprise in all senses is preferable to state monopoly. Turkey's experience has convinced me of that. And although our state sector is still strong, private initiative is ever more actively expanding its spheres of influence.

Decisively orienting itself toward a free market, the country has realized deep-seated transformations in its national economy. You may judge the results for yourself. Export has increased by 6 times and today reaches around \$12 billion. Moreover, industrial production comprises 80 percent of the export. The Turkish lira has become a convertible currency. Turkish goods are able to compete on the world market.

[Correspondent] How strong are the economic positions which you have attained and may we speak of a stable tendency?

[Ozal] I am convinced that we will attain even more by the path which we have selected. By 1992 we are predicting an export volume of \$20 billion. The income from tourism will increase from \$2.5 billion to \$4 billion. Considering the assimilation and development of southeastern Anatolia, by the end of the century we will double our volume of agricultural production. The problem of how to feed the population has not existed in Turkey for several decades. At the same time, the population numbers are increasing about 1.5 times faster than the average world rate and more than 2 times faster than in the USSR.

[Correspondent] Reports written in our country say that the peasants here use primitive tools...

[Ozal] Well, partially... Many farms still use wooden plows—there are 600,000 of them. But there are just as many tractors, and on their trailers there are modern seeding machines, harrows and mowers... Meat and milk comprise one-third of agricultural production. Today on the farms and in the pastures there are over 73 million head of cattle and livestock. Every year Turkey exports \$2 billion worth of produce. It could export more, but it is difficult to get through to the markets.

[Correspondent] By the way, what are Turkey's prospects regarding entry into the "Common Market"? After all, as we know, the Commission of the European Communities has rejected your country's request to begin negotiations on this question. The executive organ made this decision based on an analysis of the state of Turkey's economy and the activity of its political institutions. At the same time, the CEC representative announced that "the integration of Turkey into the European community is possible in principle".

[Ozal] Someone referred to the commission's decision to review the question of accepting Turkey into the European Community only after 1993 as "a slap in the face of

Turkish patriotism". I would evaluate it in a calmer manner. The question of our membership with full rights has not been removed from the agenda. Turkey has the right to await positive steps from the community. I might add that we never maintained that Turkey's economy corresponds to European standards. In order to reach the European level, we will still need some time. The primary motives for the refusal to accept Turkey into the EEC are associated with economic problems. The level of inflation is over 70 percent, the foreign debt has exceeded \$40 billion, and 4 million people are unemployed...

[Correspondent] Do you think that there are only economic barriers barring Turkey's path to the Common Market? Yet a necessary condition for entry into the EEC is also the status of the political institutions of the country aspiring to membership. Is the freedom of thought and freedom of conscience which you have proclaimed being realized just as actively and successively as the freedom of enterprise?

[Ozal] Democratization of society in our country, as in the Soviet Union, is not taking place easily and painlessly. This is a difficult process.

[Correspondent] Mr. President, the events in southeast Turkey evoke particular concern. [I am referring to] the so-called "Kurdish question". Since mid-1984 the Kurds have been demanding the realization of their right to self-determination and independence. In this time over 2,000 persons have died in clashes with the army and militia, or at the hands of terrorists...

[Ozal] The problem is a very old and complex one. Today not only the attention of the Turkish community, but also of the world community, is focused upon it. We believe that it may be resolved only by democratic means. This must be a fair and peaceful means, rejection of violence, terrorism and anarchy. We ask the mass media to exercise caution and circumspection in preparing their reports on the events in eastern Anatolia. Some reports are capable only of exacerbating the situation. As of recent times, Turkish radio and television must cooperate with the Council for National Security and the Ministry of Internal Affairs in preparing broadcasts which in some way concern emergency situations.

[Correspondent] Soviet journalists have received such recommendations on illuminating the events in the Transcaucasus. Do you not consider such intervention into the activity of press and television to be an infringement on the freedom of speech?

[Ozal] The press must be free. I always tell journalists: Write whatever you want. But if the printed word fires the passions and provokes new outbreaks of terrorism, the government, it seems to me, has the right to somewhat limit the dissemination of such information. In order to revitalize and normalize the situation in the southeast, all the public institutions, including the means of mass information, should, as a minimum, adhere to the well-known physician's principle: Do not make

things worse. The people must know: No power is capable of breaking up the integrity of a democratic republic built within the limits of the national boundaries by the great Ataturk at the price of life and blood of the Turkish people. And I assure you that the integrity of the republic will be defended by all possible means, obviously within the framework of the constitution. The southeastern regions need long-term capital investments and increased allocations for development of the economy. In essence, all the national tensions in the southeastern region are the result of its backwardness. When the living standard reaches a civilized level there, the problem, I hope, will be resolved by itself.

[Correspondent] And how, in your opinion, will one other political theme develop, one which the world community has been watching for a long time? I am referring to the fate of the leaders of the United Communist Party of Turkey, Haidar Kutlu and Nihat Sargyn. In November of 1987, having returned to their homeland after emigrating abroad, they were arrested. As you know, they are accused of violating Articles 141 and 142 of the Criminal Code, which prohibit communist activity in Turkey.

[Ozal] Kutlu and Sargyn are fighting for the legalization of their party. Well, that is their right. Freedom of thought is a basic condition of democracy. As for the prohibition on communist activity, this measure has a long-standing tradition. Turkey has long perceived Marxism as a hostile ideology, since it came from Russia, with which we were not especially tied by friendship, but rather quite the contrary. In my opinion, the prohibition is senseless, since a party of communist orientation may arise also under another name, say for example as a religious or some other kind of party... Along with the leaders of the opposition parties, many public leaders, scientists, writers, businessmen and members of the government are today speaking out about the possibility of legalizing the activity of the communists. I share their point of view. I myself, having become president, have discontinued my membership in the Party of the Homeland, to which, however, I still have political sympathies.

You want to know how Kutlu and Sargyn's fate will turn out? I do not know. Only the court can resolve the question of their liberation.

[Correspondent] Soviet-Turkish relations are today developing much faster than we might have thought even a few years ago. How do you evaluate the immediate prospects of our political and economic cooperation?

[Ozal] In international relations Turkey adheres to the principle of our republic's founder, Ataturk: "Peace in the country, peace in the whole world". So we will continue to develop peaceful and friendly cooperation with all countries, and especially with our neighbors. As for Turkish-Soviet relations, they have entered a qualitatively new stage. We consider them exemplary for states with different social orders. Many controversial questions have been resolved which had not been

resolved for decades. The checkpoint at our common border in Sarpi has been opened after a half-century hiatus. Accord has been reached on the region of flight information over the Black Sea, and a consular convention has been signed.

The changes in the sphere of economic cooperation have also been quite notable. Two years ago, the volume of trade between our countries comprised \$476 million. According to predictions this indicator will reach one billion in the current year. Moreover, Soviet representatives believe that in the next few years the volume of our trade may increase by 2-3 more times.

Business partnership is secured primarily by the agreement on deliveries of Soviet gas to Turkey in exchange for Turkish goods. Moreover, in order to at least partially

satisfy the demand for consumer goods, the Turkish government has granted the Soviet Union credit in the sum of \$300 million. Consumer goods are already being purchased in Turkey for this sum. Agreement has been reached on issuing the USSR one more credit in the sum of \$340 million for Turkish companies to build light and food industry enterprises in your country. The contracting Turkish construction companies will build tourist complexes in Yalta, Pitsunda, and Batumi. The ENKA trade-industrial association will reconstruct "Petrovskiy passage"...

It is mutual interest that determines everything in our political and trade-economic contacts. I would like to hope that the relations of the USSR and Turkey will enter a level of even closer cooperation. I believe both sides are equally interested in this.

Romania's June Violence, Miners' Role Examined
90UF0287A Moscow RABOCHAYA TRIBUNA
in Russian 3 Jul 90 p 5

[Article by O. Grabovskiy, Bucharest: "Rose with Thorns/Why the Miners Came to Bucharest"]

[Text]

- “Disorder in the capital!..”
- “The threat of revolution!..”
- “The miners have come to Bucharest!..”

The chorus of boys selling newspapers greets me at the Bucharest train station. Once again I am breathing electrified air in which tricolor flags with a hole in the place where the former CRR [Communist Republic of Romania] crest used to be are waving. Only half a year has passed since I saw them here for the first time. By some vagaries of fate the December 1989 revolution coincided with Christmas—the day of the winter solstice, when according to ancient pagan beliefs the forces of good are victorious over the forces of evil. But now the heavenly bodies had covered half of the zodiac and again a coincidence, but this time a dramatic one. At the height of summer, when according to the same beliefs evil had a temporary victory over good and the sun was setting beyond a hill, Bucharest's sky was covered with black clouds of smoke.

Our mass information sources reported on the dramatic events of 13-14 June in Bucharest and because of this I will just briefly remind you of those days.

...Everything began on University Square, where student hunger strikers had positioned themselves. The tent village became the hotbed of crime. On the morning of 13 June the organs of law and order began to clear the area by order of the office of the public prosecutor. This occurred without any special excesses. Hunger strikers were hospitalized, but over 200 individuals who disobeyed the police were detained. The remainder broke up and then, grouping up again, moved along the central squares and streets of Bucharest. “Iliescu, go to the USSR!,” and “FNS [National Salvation Front]—agent of the KGB!” they yelled, passing the embassies of the USSR, China and the U.S. three times.

By midday at the Institute of Architecture on University Square students who were displeased with the actions being taken began to gather. Events began to develop swiftly. First a bus blazed, followed by about two dozen cars. Storm troopers armed with sticks and switches and holding rocks, tore into the police building, grabbed the weapons that were there, broke windows, threw out documents and burned cars parked nearby. Similar actions took place in the MVD [Internal Affairs Ministry] building and in the Romanian information service. Forming a chain, the picketeers passed bottles filled with flammable mixtures hand to hand from the nearest

gasoline pump and threw them into the windows. As a result all archives were burnt here and the buildings suffered enormous damage.

At about 5 p.m. a call came over Romanian radio to party workers to come to the building housing the government and free Romanian television in order to defend the victories of the December revolution.

However, the workers did not reach the television station in time. The instigators of the pogrom acted according to a clearly-established scenario. The control room caught fire. The pogrom participants tore into the building and began to beat the workers. They tried to throw television director Emmanuil Valeriu from the eleventh story. The next day an “incendiary bomb” wrapped in the standard of the legionary—the Romanian Fascist Party of the World War II period—was thrown through his window. Not accidentally Ion Iliescu, speaking on television at 10 in the evening, emphasized that the rebels were attempting to institute a fascist-type regime.

Responding to the president's call, Bucharest workers hurried in their cars to the television building. A fight ensued in which first one side and then the other prevailed. The police remained inactive, and the army—equally so.

At 2 o'clock in the morning the first detachments of miners began to arrive in the city. About 10,000 of them hurried to the aid of the government from the mining-industrial regions of Romania. Within 1 hour they had removed the banners from the university buildings. In the extreme situation not everything proceeded satisfactorily. At the height of battle passers-by were caught in the heated hand of the miners. Workers voluntarily began to look for ringleaders and participants in the rebellion. As a result the main offices of the national-peasants and national-liberal parties, where weapons and drungs and presses for the printing of dollars and leis were discovered, were destroyed. On the quiet someone robbed the apartment of the former presidential candidate and leader of the national-peasants, Ion Ratsiu. Student leader Muntyanu, on whom a pistol was found, was killed. Innocent people also suffered, concerning which the government expressed regret.

By morning of 14 June the military had taken control of the main state institutions, but street clashes continued in some places. On Friday evening at a meeting with many thousands President Ion Iliescu thanked the miners for their devotion to the revolutionary cause, and they began to return home.

The city slowly came to. The results of what had happened here were dramatic—five people died, 460 sought medical aid and over 100 were hospitalized. Colossal material losses were incurred. Suffice it to say that Romanian television suffered more losses during these 3 days than during the entire December revolution. Moral and political losses were great. The Common Market stopped the ratification of an agreement between the

EEC and Romania. The deputies of the European parliament, who were meeting in Strasbourg at this time, expressed "disappointment" in the actions of the government. The U.S. State Department, which halted economic aid to Romania, responded in similar fashion....Such were the consequences of the reporting of events in its capital by Western correspondents. The government dealt with democracy, they felt.

Official Bucharest feels that the West has been subject to disinformation. At a press conference Prime Minister Petru Roman expressed disbelief about the fact that a number of reporters from foreign countries illuminated these events tendentiously. It was true, he agreed, that the miners exceeded their authority, but that which had occurred in Bucharest was "the result of actions which from the beginning intended to destabilize the political situation in the country."

Let us try to understand this. Actually nothing, it would seem, predicted the political storm. On 20 May completely democratic, as many foreign observers also felt, parliamentary elections took place. A convincing victory was achieved by the Front for the National Salvation of Romania [FNS]. Over 80 percent of voters voted for its leader, Ion Iliescu. The Party, which opposed the FNS, also agreed with these results. On 9 June the first parliamentary meeting took place. Its mandate was received by representatives of 19 out of 70 parties that participated in the pre-election marathon. Everything was going well. A mandate commission and the work regimen were confirmed; the following Saturday the inauguration of the country's new president and the formation of the working organs of parliament were implemented, signifying the beginning of serious work. Both main opponents of the FNS during elections—the liberals and the peasants—promised to cooperate.

Thus the political barometer showed "clear." The only nidus of tension was the tent city on University Square. It was decided to clear it out. But it was this decision that served as the detonator for the outburst of tensions and that forced the country's new administration to make a difficult choice. Apparently it did not expect such a turn of events and was not prepared for them. But how else can a legal government act in the face of mass disorders? How could law and order be achieved in the country? Of course the law-protection organs had to carry out their role here. But the police, according to Petru Roman, "demonstrated indecisiveness." He saw for himself who worked in the force—inexperienced young men called to service, yesterday's schoolboys whose weapons consisted of a rubber truncheon and a light shield. How could they counter armed extremists?

The army could have helped in the given situation. But it, like the police, suffers from the "December syndrome," when the military used weapons that resulted in so many victims. The demoralized police and army, the absence of coordination between them, and the delay with orders forced the government, foreseeing the threat of a pro-Fascist putsch, to extreme measures in the name

of preserving law and order and democracy—it turned for help to its political army, the workers. Those in turn do not always adhere to the norms of law and order and alas do not represent a uniform mass. It is possible that real criminal elements were among them. It is no accident that the government communique mentioned the firm decision to criminally try all those guilty of illegal actions during the last few days.

This also applies to those who first overstepped the law. Here there cannot be a double standard.

"Workers and miners came to our aid because possibly this was the last chance to save the revolution," says Emil Brat, turner at one of Bucharest's plants. "They defended their election and the election of the majority of workers, showing trust in the legal government. It is completely understandable that the putschists waited for and did not let their chance go by. Undoubtedly, behind their backs are certain forces, and we still have to find out who they are. But I think that one thing is clear—these forces are organized; they acted completely professionally and prepared ahead of time. They provoked the use of force and forced the government to turn to the miners for help. This position is supported by labor collectives and free trade unions, and not only by them. Hardly recovered from the shock, many public political organizations immediately came out with a decisive condemnation of the acts of force and vandalism. Thus, the socialist party of justice notes: "No one is allowed to infringe upon the victories of the people." The liberal party of freedom called the events a provocation directed at destabilizing society. "Any destabilization in Romania plays into the hands of enemy circles, which can interfere with the country's internal affairs," warns the party of democratic youth.

The new administration has urgent matters to deal with. The economic situation remains complicated in the country. Inflation is growing, the pace of production is falling and the hungry people, having taken an interest in politics, longs for satiety and a happy life. Where can well-being come from? Of course only from work. The new administration made a decision on the transition to a market economy. In addition to its own it has added and is now examining four additional variants for the transition to commodity-monetary relations proposed by other social-political forces. The main idea of these programs is the privatization of small trade and industrial enterprises. According to the opinion of a number of specialists whom I had the opportunity to talk to, including foreign specialists, for a relatively small country such as Romania the transition to the market can be brief and very effective. This can be done only if the political situation permits, they added unwaveringly. And it is still not simple with such a variety of trends and opinions—from centrist to leftist and rightist radical. We are encouraged by the fact that the FNS is a social-political movement and that for this reason its doors are open to all movements and groups, including to the Democratic Labor Party, which is so popular among workers. Its members do not view the past only in black

colors, and they intend to preserve the socialist idea. Incidentally, this idea is unwaveringly present in the programs of the majority of other parties.

...While passing the chain of soldiers and policemen and the columns of tanks with enclosed weapons which still surround the administrative building on Victoria Street, I saw some young girls giving a rose to a soldier. A rose with thorns. Life has forced the FNS flower to develop thorns.

Correspondent Views Crisis of Yugoslav Federation

90UF0231A Moscow *IZVESTIYA* in Russian 8 Jun 90
Morning Edition p 5

[Article by Ye. Vosrukho, Belgrade: "How Can We Protect the Federation?"]

[Text] On the initiative of the Presidium of the SFRY [Socialist Federal Republic of Yugoslavia] a joint session of the Federal Chamber and the Chamber of Republics and Provinces was held in Belgrade. As expected, Presidium Chairman Borisav Yovich spoke to the deputies about the political situation in the country. Then heated debate took over in the parliament.

B. Yovich, who took this post 3 weeks ago, in his first speech at a presidium meeting spoke about the acutely intensified political situation in the SFRY and about the real threat to its territorial integrity. Soon the presidium passed a resolution to call a special session of the federal Skupshchina [assembly] and there to present its views regarding how to eliminate the public crisis as well as to present for discussion by deputies a package of temporary measures to stabilize the situation in the federation, to protect the borders and to eliminate inter-ethnic and inter-republic conflicts. This was the subject of B. Yovich's speech.

How serious all of these problems are in today's Yugoslavia is attested to by the fact that the presidium's initiative to discuss with deputies the ways to eliminate economic and political crisis in the country was met with bayonets in both Slovenia and Croatia. These republics say the initiative is an attack on their sovereignty by the "center."

At a joint meeting of both houses of the Skupshchina representatives of both of these republics criticized the presidium's report and did not agree with the assessment of the situation in the country or with the measures to strengthen the unity of the federation. What did the presidium's chairman speak about? He said that the Yugoslavian federation is passing through an "extremely critical" stage in its development. The greatest problems are escalating nationalism and the lack of adherence to the SFRY Constitution to state law. At the same time it was said that the presidium did not and does not plan to take any "severe measures" against "obstinate federal

units." Our course, emphasized B. Yovich, involves the democratization of society and radical economic and political reform.

The deputies were offered a program of thirteen points for discussion by the SFRY Presidium. The presidium feels, states this program, that not only the Skupshchina and the country's government, but all corresponding organs of the republic and autonomous krays must strictly adhere to the SFRY Constitution and to national laws and must hinder violations in every way possible. The program emphasizes the need to establish a schedule for confirming corrections to the SFRY Constitution, the draft of which has been presented for general discussion. When a republic wishes to make a correction in its constitution, the constitutional court must immediately provide its conclusions if there are deviations from the basic law, especially if we are speaking about consequences that threaten the sovereignty and territorial integrity of Yugoslavia. In the new federal constitution the presidium has proposed giving people the right to self-determination, including the right to leave the SFRY. Thus the presidium's program is directed at strict adherence to law in a multi-ethnic state and at cutting short violations of the law for any reason, including for the sake of "national interests."

The creation of a legal government and the modernization of the federation's constitution with a consideration of the growth of national self-knowledge are not simple processes. This is attested to by the heated debates in the Skupshchina hall, which continued for 2 days. Observers noted that for the first time in the hall of the lawgiving organ for the federation one heard calls to reorganize multi-ethnic cooperation, to dismantle it and to create a confederation based on a new contract between republics. In contrast to the position of the SFRY, speakers first suggested the modernization of republic constitutions and only later—of the national constitution. All republics must recreate their state independence and then think about the form of cooperation.

The future of Yugoslavia lies in patient dialogue. No "punitive" resolutions with regard to "some" republics were discussed by the Skupshchina. It did not take any extreme measures or pass any extreme resolutions. The results of the recent elections in Slovenia and Croatia, during which communists suffered defeat, were not revoked. On the other hand the Skupshchina confirmed a short but important conclusion for the country torn by conflict: "The SFRY Skupshchina at a joint session with the Federal Chamber and with the Chamber of Republics and Provinces became acquainted with the assessments and conclusions of the SFRY Presidium about the urgent political situation in the country as well as with the proposed measures that must be taken in connection with this. Specific measures and actions will be determined by the SFRY Skupshchina within the framework of its rights as foreseen by the constitution as well as within the framework of its obligations and responsibilities."

Thus we can confirm that the majority of deputies in the country's parliament share the presidium's urgency concerning the crisis situation in the federation and are prepared to support parliament in protecting the law and the constitution, unity and the territorial integrity of the SFRYU. However, moral support should now be strengthened through general constructive decisions "within the framework of rights and responsibilities."

How soon will this happen?

Founding of 'New Communist Movement of Yugoslavia' Described

90UF0306A Moscow IZVESTIYA in Russian 6 Jul 90 Morning Edition p 5

[Article by Ye. Vosstrukov, IZVESTIYA correspondent: "Tell the Truth About Acts of Lawlessness, Demands the New Movement of Leftist Forces"]

[Text] The creation of the New Communist Movement of Yugoslavia has been announced in Belgrad. Its constituent assembly stressed that "the movement will follow revolutionary communist teaching which has been suppressed in Yugoslavia for the past 40 years..."

The movement participants share the views of the founders of scientific communism—Marx, Engels, and Lenin. Their primary goal is to achieve true power of the workers and to build a democratic socialist society with orientation toward a communist perspective. Among the first priority tasks presented in the new party platform is to bring the country out of the difficult economic and political crisis, to fight for socialist Yugoslavia on the principles of federation, to hold democratic elections, and to establish international cooperation with the international workers movement.

"Our organization may be called newborn, but it continues the revolutionary traditions of the Communist Party of Yugoslavia", it was noted at the constituent assembly. Who has become the founder of the new movement of leftist forces? For the most part, it has been people who are tried and true fighters for the socialist ideal, for humane socialism, and who at the same time are not Stalinists. In the post-war years, many of them had been subjected to repressions and thrown into concentration camps for their convictions, which diverged from the opinion of Tito and other former leaders regarding the means of building socialism in the country. Many passed through the gates of Golyy Island, where thousands of political prisoners languished. Baked by the burning sun, Golyy Island in the Adriatic Sea became the symbol of injustice, lawlessness, and violation of human rights. It was by far not the only concentration camp on the territory of Yugoslavia.

Up until recently, people were not eager to deal with this black page in the history of the SFRY. The many years of politics of repression, suppression of dissidents, and reprisals against those considered to be objectionable were hushed up. This is why the demand for full political

rehabilitation of all former prisoners of concentration camps and unlawfully repressed persons resounded at the meeting, as well as a demand for material compensation for the loss inflicted upon them. "The time has come to tell the people the whole truth about the acts of lawlessness and repressions", it was said at the meeting.

The constituent assembly elected a chairman of the movement and a secretary. They were assigned the task of working together with activists from all the republics (I emphasize—from all) in making preparations for an all-Yugoslav congress.

But what about the Union of Communists of Yugoslavia, yesterday's Tito's party, which yielded power in the elections already in two out of six republics? What is happening in its ranks? As we know, at the recently concluded 14th (Extraordinary) UCY Congress, all the party management organs were disbanded, and new ones were not elected due to ideological, inter-republic and other disagreements. This is perhaps an unprecedented fact for any party.

Although it is true that later certain leadership functions were assumed by the preparatory committee to the 15th Congress, it, of course, had its own specific tasks and could not act either in the role of the Central Committee nor in the role of the UCY Central Committee Presidium. It was reported that the committee prepared a draft of basic documents for the future renovation congress (it is to be held at the end of September) and sent them out to all the republic organizations. Now the committee is awaiting specific comments and proposals.

Unemployment Problems in Czechoslovakia Reported

90P50052A Moscow PRAVDA in Russian 2 Aug 90 Second Edition p 4

[Article by PRAVDA correspondent S. Vtorushin: "The First Unemployed"]

[Text] Prague, 1. (PRAVDA correspondent). The first 1,000 unemployed people, including 141 with a higher education, have been registered in Ostrava. The thinking here is that next year tens of thousands of people may be unemployed.

The changeover to a market economy has demanded a radical restructuring of the economy. First of all, the emphasis on heavy industry has shifted to more science-intensive production, requiring highly qualified labor.

Czechoslovakia occupies first place in the world in the production of steel per capita. It extracts more than 120 million tons of coal, but at the same time does not have its own base for developing metallurgical production. Almost all the iron ore and some of the coke used in Czechoslovakia has to be imported. In order to mine more coking coal, the state has to dig deeper and in difficult mining-geological conditions. This is expensive, and places a heavy burden on the whole economy. That

is why a principled decision on the gradual curtailment of the coal mining and metallurgical industries was adopted. The first mines were closed in Kladno. Now it is the turn of the Ostrava miners.

In connection with this, courses for requalifying workers were opened in Ostrava. Depending on the specialty chosen, training lasts from one week to six months. People who still have jobs but will be losing them in the near future can also attend these courses. The question of requalification is regarded as highly important. Nonetheless, finding work is becoming more and more difficult, especially for people with a higher education. The new

economic mechanism requires a smaller number of operators, but places a very high demand on the level of their qualifications.

Ukrainian 'Friends of Poland' Society Formed **90P5004&4**

[Editorial Report] Kiev RADYANSKA UKRAYINA in Ukrainian for 10 July 1990 carries on page 4 a 150-word item reporting the formation of the "Friends of Poland" Society. The society's goals include the development of ties between collectives and enterprises of the Ukraine and Poland. The society is headed by UkSSR Minister of Finance I.O. Zabrodin.

Soviet-Cuban Trade Policy Defended

90UF0281A Moscow PRAVITELSTVENNYY VESTNIK in Russian No 24, Jun 90 p 11

[Article by V. Venediktov, official secretary of the Inter-governmental Soviet-Cuban Commission on Economic and Scientific-Technical Cooperation, and Yu. Popov: "Sugar, Oranges and a Fly in the Ointment"; paragraph in italics as published]

[Text] "Of late the press and public discussions have contained frequent references to the state of Soviet-Cuban economic ties. Some of the comments give the impression that trade between the two friendly countries amounts to direct or veiled assistance to Cuba—that we are trading at a loss. Given our current economic difficulties, these questions require a clear answer..." N. Kazakov, city of Borisoglebsk.

What does a true picture of our commercial relations with Cuba look like? First of all, let us note that we pay for imports from Cuba with non-convertible rubles. From Cuba we obtain sugar amounting to 30 percent of our domestic consumption and citrus fruits amounting to 40 percent of the market supply. Nickel-cobalt concentrate from Cuba provides 20 percent of the cobalt produced in the USSR. Without Cuban nickel, incidentally, enterprises in the Urals could not produce high-quality steel. All of these commodities, then, like the oil which we supply, are also hard-currency items, and they amount to 97 percent of our imports from Cuba. And further, for complete clarification of the question: we would have to lay out \$1.5-2 billion to the West to receive all of these commodities.

At present, programs for developing agriculture as a whole and plans for expanding nickel production are being discussed. According to a joint assessment, the raw material reserves for this industry are so substantial that their exploitation could ensure us of nickel supplies for decades in the future. The achievements of our Cuban friends in the area of health care and medicine are extremely useful for us. Soon we shall be receiving for the first time Cuban medications and high-technology medical equipment.

All this will also save us substantial hard-currency resources. Thus the allegation that the Soviet-Cuban exchange is not mutually beneficial is completely groundless. To "support" this premise references are sometimes made to "incomplete deliveries" of our oil which Cuba receives in the form of hard currency. But in fact, it is not charity which is being discussed. When the previous five-year plan was formulated, the amount of Soviet petroleum deliveries to Cuba was specified. During the course of negotiations our partners requested that we grant them assistance in hard currency. We were not able to meet this request since we ourselves were in a difficult position. But at that time it was decided that if the Cubans were able to save some of the oil which they received, then they would be able to sell that portion for hard currency. By means of a nation-wide program of

strict conservation they reduced to almost nothing, for example, the consumption of petroleum products at sugar mills, replacing them, as they were able, with another fuel, "bagaso," produced from sugar cane stalks. In this way they found some hard-currency resources for the most urgent needs of their economy. Moreover, while petroleum deliveries gradually increased during the last five-year plan, during the current plan they have remained at the 1985 level. What increase in volume are certain "experts" on the trade exchange between our states talking about?

There is a great deal of talk about preferential prices. But at the same time there is silence about the following. According to calculations by experts, the prices for Soviet machinery, equipment and vehicles going to Cuba are, on the whole, more than double the world prices. In 1988 alone, Cuba overpaid us for this output by about 0.6 billion rubles. Moreover, in our trade exchange for 1986-1990 permanent prices for goods were established at the level of 1985 contract prices. However, everyone knows that during this period oil dropped sharply in price and for this reason the Cubans are overpaying us by about 1.3 billion rubles every year. Along with the "fat" for machinery and equipment there are 1.9 billion rubles which are "eating up" a large portion of the "price" assistance.

Let us remember that providing assistance to other countries is not our invention. This form of cooperation is universally recognized in international practice. Capitalist states also utilize a preferential system in relations with developing countries. For example, the USA and the EEC countries buy sugar from some of them at prices which frequently exceed world prices. For the last 10 years the USA has paid an average of 308 rubles per ton to Latin American sugar producers. This is 1.9-fold more than the average world price during these years.

An even more common form is the extension of credits, which we provide to Cuba through inter-governmental agreements. Today the young republic owes us about 15.5 billion rubles. But this is credit which is not free.

It is striking how some authors state that in principle they are not against aid to Cuba. But somehow their words do not fit with the figures which they cite, nor with the general tone which is conveyed to the reader, nor with the suspicious scrupulosity with which they calculate every kopeck. In this connection it is appropriate to quote from a recent interview which L.I. Abalkin gave following a visit to Cuba. "As for life at someone else's expense," he notes correctly, "I consider that there is much that is harmful and artificially inflammable here. It seems to me that some general tendencies in the public sentiments within our country find their reflection in this process by which we, like the last misers, begin to calculate which city or oblast lives at whose expense and who owes whom more. These are, after all, very complex questions and they are not subject to such simple arithmetic operations."

It is not superfluous to note here that Cuba was among the first of those who shared our misfortune arising from the earthquake in Armenia. It also sent us nearly all of its national blood supply and the world's best anti-burn agents after learning about the catastrophe in Bashkiria. The two best Cuban clinics are already treating children from the Chernobyl area ranging in age from 18 months to 15 years. Another 1,000 Soviet children will arrive in June. Soviet soldiers wounded in Afghanistan are being successfully treated there as well. All this and other assistance is being provided to us by a small country which is by no means rich, a country being squeezed by an economic blockade and forced to spend enormous sums on defense to maintain a substantial army in a permanent state of combat readiness, which the authors of certain articles comment on with such inappropriate sarcasm.

Some of them demand the "normalization" of economic relations with Cuba, pretending that no changes are taking place or will take place in those relations. But those who lay claim to the role of expert in this area should know already that the CEMA members have been working for many months on a fundamental restructuring of their ties, a process which naturally affects Cuba as well. One of the trends in our cooperation with Cuba is a search for a more flexible and better economic mechanism which corresponds to world market conditions. Both sides have decided to create an authoritative working group to prepare proposals, calculations and other groundwork for a transition to qualitatively new relations.

One newspaper informs the reader about the protocol signed in Havana according to which the commodity turnover between our countries will increase by more than eight percent this year. It then adds ambiguously:

neither the taxpayers nor the legislators in the USSR know yet what lies behind this figure.

The newspaper's anxiety is not justified in any way. Economists know that an increase in the commodity turnover as a whole does not necessarily mean the growth of our deliveries only, which is, incidentally, clear from data published in the press. The conditions of the agreement correspond to that trend in our cooperation which is leading to the gradual achievement of balance between the reciprocal accounts: it is expected that Cuban imports must grow more rapidly than Soviet exports.

It is also well known that the entire volume of Soviet-Cuban commodity turnover, including the amounts of our credits to Cuba, was approved by the USSR Supreme Soviet during the discussion of the plan and budget for the 90's. For this reason the documents signed in Havana stipulate Soviet obligations which are strictly in line with our legislative decisions. And our legislators who visited Cuba recently are informed about this. They confirmed the USSR's resolve to develop mutually-beneficial economic ties in the interests of making our economies even more mutually complementary.

Folk wisdom teaches that a fly can spoil the ointment. It is as though the authors of certain articles about our trade with Cuba are attempting willy-nilly to make public opinion dissatisfied with the economic ties between the two countries, to cast a shadow over them. But these attempts are worthless because emotions and ambitions cannot substitute for objective reality, for common sense or profound knowledge of the sources and contemporary essence of Soviet-Cuban economic interaction. And in the process one should not pass off one's opinion as that of the entire Soviet people.

Operation of Soviet-Japanese Timber Venture Described

90UF0346A Moscow PRAVDA in Russian 17 Jul 90
Second Edition p 7

[Article by V. Yermolayev, PRAVDA correspondent:
"The Lessons of 'Igirma-Tairiku'".]

[Text] The first joint Soviet-Japanese enterprise in Siberia, "Igirma-Tairiku", is in its third year of operation. The experience gained by the lumber milling plant since the day of its opening has been instructive. Yet alas, the experience has not been all positive..."

PRACTICE OF PARTNERSHIP

The first lesson was taught by a master of his craft, the president of the Tairiku Company, a partner of "Irkutsklesprom" on the joint enterprise "Dzyugo Ivata". A year-and-a-half after the start-up of the plant, when everything, it seemed, was going as it should, PRAVDA (10/10/1988) published an article by its Tokyo correspondent I. Latyshev entitled "We Will Listen to Mr. Iwata". In this article, the Japanese entrepreneur lists the serious shortcomings in the activity of the enterprise and its associated enterprises...

"For us this was an unexpected occurrence," admits I. F. Podashov, the general director of "Igirma-Tairiku". "After thinking about it awhile and after casting off our resentments, we understood that the criticism was in general fair, and that we must work more effectively."

We rapidly surpassed the projected capacity of the plant. Then we needed to avoid interruptions in the delivery of raw materials.

"We resolved the problem by concluding direct agreements with nearby timber managements, partially paying for their production in currency," says V. Khomikov, enterprise production director. "The neighboring Igirma timber management earned 700,000 foreign currency rubles last year."

A number of other shortcomings have been eliminated. For example, an asphalt covered road connecting the highway with the plant's territory, and a cable for reliable telephone, teletype and telefax communication between enterprises in Moscow and Tokyo have been placed into operation. The Japanese side was concerned by the personnel turnover in the collective. I admit that the occurrence of the latter surprised me at first. After all, the average wage of the Siberians here is 300 rubles a month.

"High wages are by far not everything," explains I. F. Podashov. "Our labor, as you can see, is intensive. Only the strong and those with endurance can withstand the load, primarily young people. In the first year we lost 60 percent of the workers. However, now the collective is stable."

Having driven and walked around the settlement with Josif Fomich, I saw impressive changes which had taken place in 2 years. When the enterprise was placed into operation, 48 lucky families moved into new, fully improved 22-story buildings and 6 single-story cottages. Most of the Igirma residents were cramped into a dormitory or stayed with relatives. How could we provide them with housing? The general director and the members of his command who came here from the "Belskles" association decided to apply the method of erecting housing which had been tested there—the family order. Under this method the enterprise provides building materials for those who want them. Then, working after their shifts with the help of friends and relatives, the people erect a new house for themselves in less than a year—a good quality house and according to their own taste. Twenty more cottages have sprung up on the outskirts of the settlement. The finishing is such that their owners are envied by the residents of the stone 5-story buildings erected about 15 years ago. All the cottages have several rooms, are spacious, and have garages and sturdy add-ons. They are hooked up to heating lines and other engineering networks. Soon every family will have its own roof over its head.

The Japanese favor spending part of the joint enterprise's profits for developing a system of supply and services, and for improving culture in the settlement. The local polyclinic is perhaps the only one in the oblast which is fully equipped with disposable syringes and up-to-date instruments. The doctors have been supplied with imported diagnostic instruments which cost about 50,000 rubles. The secondary school and clubs have been given furniture and sporting equipment. There are plans to set up a computer class in the school. Last fall, imported consumer goods valued at 65,000 foreign currency rubles were sold in the settlement.

There are plans to allocate 160,000 rubles on a non-repayment basis for building a sports complex under share conditions, and over 100,000 rubles for the construction of automobile roads in the settlement. At the present time the local airport can accommodate only the unpretentious AN-2. The northerners are ready to do everything to see that it serves more impressive aircraft.

And here is something entirely unexpected: "Igirma-Tairiku" has presented a gift of 10,000 rubles for construction of a building for the town militia. The decision has also been made to allocate Japanese patrol cars to it. Well, this is order. It is both culture and good economic indicators. I do not want to give the reader the false impression that the northerners are flourishing exclusively thanks to the generous gifts lavished upon them, including by the kindly foreign rich men. No, the Igirma residents create their well-being through their highly productive labor. The collective spares no time or effort to make its town more beautiful and attractive.

In New Igirma I met and talked with three young Japanese specialists. A. Nakatsukasa works here as deputy chief bookkeeper-economist. S. Kimura often

comes here on company business, and S. Ito has come for his first business trip. All three graduated from universities in Tokyo. In the Siberians, aside from their remarkable technical competency and sharpness, he notes kindness, politeness, and friendliness. In order to truly evaluate these qualities in others, I thought, one must possess them oneself in full measure. Of that I became convinced as I talked with my new friends.

Last year, the guests told me, their country built 1.66 million houses, of which 42 percent were wooden. And it is certainly not poor people who buy them, but people of moderate and high income level. Wooden houses in the traditional Japanese style are prestigious, as are those of the European and American type.

"We receive parts for houses in the Soviet Union only from our first joint enterprise. We must think about the future and develop such production in Siberia," maintains S. Kimura. "I am convinced that New Igirma will become a large and beautiful city."

Alas, it is still far from this. There are many obstacles which must be overcome. They showed me photographs. On one there were stacks of fresh, shiny-white goods, neatly wrapped in polyethylene film. On the other were lumber materials stained blue by the rain and blackened by soot, with torn pieces of plastic film. At the same time, this was the same railroad car. First it was photographed in Igirma, and then at the port of Vanino. If at first the cars travelled 5,400 kilometers in 8-10 days, later it took 14-24 days. That is why product quality suffers.

"Now they have begun sending the trains along the BAM [Baykal-Amur Main Line]. Such a route is shorter than the trans-Siberian, but the cars move even more slowly, sometimes break down or get lost," laments the temperamental SP Deputy General Director I. Yoda.

About a year ago, J. Iwata visited New Igirma. Having acquainted himself with the housing construction, the meticulous entrepreneur drew the following conclusion: The houses could be constructed better by organizing the delivery of current structures and finishing materials. But... in Japan the company provides housing for a person as long as he works for it. If he is fired, he must leave his apartment. Here, however, a person retains his right to housing even after he has changed his place of work. "Igirma-Tairiku" is a joint enterprise. The Japanese side also makes a contribution to housing construction. It suffers losses if those who are fired do not vacate their houses.

"The Japanese are probably right," muses I. F. Podashov. "We need a law on the status of the joint enterprise and on the specifics of housing provision."

I remember that when the plant was placed into operation, I was disappointed that there are many manual operations here—sorting and packaging of products, waste removal, and work site clean-up.

Moreover, the production is far from waste free. This is an unpleasant surprise. We have heard so much about the fact that the Japanese make use of everything and nothing goes to waste. Or could it be that the thought that I read somewhere is correct: That foreigners sell us technology which they themselves used about 10 years ago?

"No," heatedly objects Josif Fomich. "We visited Japanese enterprises, and therefore I am convinced that the technology which we use is the leading technology."

It turns out that we have obediently become accustomed to believe that we lag behind foreign countries in everything? And yet one is somehow uneasy when one sees that the sawdust which, I might add, was supposed to be sold to hydrolysis plants, is being thrown away. It is true, nearby livestock farmers sometimes take it for use as bedding on the farms. The bark also decays. At best, it will decay into fertilizer.

Furthermore, 30,000 cubic meters of fir was to be used in production annually, but for now only golden pine is being used. Does this mean that even the symbol of the plant—a fir tree wound with an ellipsis of bandsaws, mildly speaking, is not appropriate? However, in the future, perhaps, fir will go into use. I cannot forget the horrible scene which I saw three years ago on the shore of the Sea of Japan in Vrangel Bay, where Vostochnyy port is located. Pointing to the huge stacks of giant cedar and spar pine waiting to be shipped overseas, the port director said bitterly:

"We are dealing in the living flesh of Russia. We should be selling not these golden trunks, but rather products made from them. After all, they are much more expensive than round timber."

And so the Igirma residents have made a beginning, being the first in the sector to enter the Japanese market with finished production. Yet the enterprise still remains the only one. It does not set the climate. Today the CPSU obkom buro has noted that the portion of golden pine, coal, taiga delicacies and other raw materials has exceeded 95 percent of the oblast's export, which is 1.5 times higher than the extremely unsuccessful all-union indicator. The hapless managers are trying to correct matters not by bringing the products manufactured here up to world standards, but by selling timber, aluminum, and other raw materials which in essence do not belong to them. We must more quickly increase the portion of quality finished products in our meager export. This, I believe, will be facilitated by plants of the "Igirma-Tairiku" type.

Mongolian Law on Foreign Investment Examined
90UF0300A Moscow IZVESTIYA in Russian 3 Jul 90
Morning Edition p 5

[Article by A. Nabatnikov, IZVESTIYA correspondent:
"The Surge Toward a Free Market"]

[Text] **The law on foreign investments has gone into effect in Mongolia. With its introduction, the country has become open for broad access of foreign capital, having obtained the necessary legal foundation for this.**

Foreign experts, having acquainted themselves with the law, characterized it as "deserving of attention". The local and especially the foreign press has shown increased interest in it. Its commentaries stress that the very fact of adoption of such a bold and extraordinary decision by the new leadership will have a profound effect on the prospects for the country's future development.

In fact, we are speaking of creating broad legal foundations and guarantees for a principally new system of economic management. This is indicated also by the law's primary peculiarities. For example, it gives the green light to any interested foreign companies and persons, including also Mongolian citizens, for the unregulated placement of investments in all sectors of the MPR national economy without exception.

Moreover, the law does not limit the amounts of such investments and the portion of participation of the interested persons in the creation of investment enterprises. Moreover, it excludes the possibility of their nationalization by the state. The innovative spirit of the law primarily illustrates the principles which are even more advantageous than in a number of other foreign analogs, and which are directed at stimulating investment activity.

Thus, the profits of foreign investors in any form are entirely free of taxes and customs charges if they are transferred abroad. Moreover, investment enterprises will be taxed only 3 years after their creation. Although the law does not make special provision for the creation of free economic zones, it contains definite guidelines for the development of such a prospective form of attracting additional capital investments into the country's economy.

The law on foreign investments which has gone into effect is referred to here as the specific embodiment of the proclaimed open economic policy (OEP) which was proclaimed in the channel of new approaches to the outside world, and is directly equated with it.

The Mongolian variant of the open door policy means a rejection of the ideologization of economic relations, a transition to principles of economic management which are generally accepted in world practice, an openness in statistical data on the real state of affairs in the national economy, and, of course, the creation of conditions for

including the country in the international market and increasing its level of participation in the international division of labor.

For this purpose, provision is made for attracting leading engineering and technology to the country, for widespread application of foreign capital investments, credits and aid from international banks and organizations, and for expanding the forms and spheres of trade relations. At the first stage of implementation of the OEP, tasks are presented on the organization of ferrous metallurgy and electronic technology production, on the development of biotechnology and tourism, and on the development of a number of mineral deposits. This is ultimately aimed specifically at creating new sources of export and expanding the country's export capacities.

The primary emphasis here will be placed on creating joint small- and medium-scale production capacities capable of manufacturing scientific-intensive, high quality finished products at a level corresponding to the demands of the world market. Depending on such enterprises, the MPR expects to ensure the in-depth comprehensive and waste-free processing primarily of livestock and mineral raw materials, which comprise the basis of Mongolian export.

Moreover, the republic has fairly good capacities in the future for supplying not only consumer goods made out of livestock raw materials to the world market, but also non-ferrous and rare metals and products made from them, as well as coke coal.

The need for such innovations arose here long ago. Before, the republic's foreign economic ties were extremely limited and were dictated by ideological imperatives and the command-administrative system, and were almost entirely limited to the socialist countries, whose relative share exceeded 90 percent in the foreign trade turnover.

The need for the OEP is dictated also by such difficulties specific to Mongolia as the absence of an outlet to the sea, poor development of transport and communications, a branched infrastructure network, narrowness and limited nature of the domestic market, low population numbers, a huge territory, remoteness from large credit-finance centers, etc.

The new law is primarily oriented toward the formation of qualitatively new principles of interrelations with the industrially developed countries of the West. This was confirmed recently by MPR Party Central Committee Chairman G. Ochirbat in a recent interview with a Japanese journalist. The recent specific steps by Mongolia to stimulate business contacts with Switzerland, England, the FRG, Australia, the USA, and especially with Japan also testify to this fact.

Quite recently, for the first time in many decades, an intergovernmental trade agreement was signed with Japan. This agreement, specifically, provides for establishing a most favored status in trade between the two

countries, as well as a significant expansion in the exchange of export products. Direct applications for utilizing the capacities of their business have already been filed by 60 Japanese companies and firms, including such world renowned ones as Sony, Hitachi, Honda, and Yamaha. The first trade representation of the non-socialist countries in Ulan-Bator is also from Japan.

In the opinion of observers, Mongolia's establishment of diplomatic relations at the consular level with South Korea has also become a sensation. This clearly confirms the seriousness of the republic's intentions to seek outlets to markets and arenas of cooperation which were previously inaccessible to it. In the course of the first contacts by the representatives of the two countries, the prospects for development of business ties were discussed, and specifically in the sphere of light industry and the mining industry, the creation of joint enterprises, and the training of highly skilled cadres.

The MPR has also established official relations with the EEC, entered into "Group 77" and thereby receiving the official status of a developing country. It has also made a serious application for participation in the Asian Development Bank.

Here it is believed that the realization of this policy, with skillful reliance on the investment levers, will give additional stimuli and a strong impetus for the extensive study and effective development of Mongolia's natural, raw material, export, and human resources.

The country today as never before clearly understands that without such a re-orientation, which opens access to foreign investments, markets and leading technology, the chronically decrepit Mongolian economy will not be able to get up on its feet and to overcome the raw material one-sidedness and inhibition of extensive development.

The successful realization of all the ideas associated with an open economic policy requires a break with the established economic structures, improved economic thinking and the development of an entire complex of difficult questions concerning the market economy. Is today's Mongolia ready for this? Such optimism is certainly not shared by everyone here. Be that as it may, however, Mongolian economists point out that the country has no alternative.

What will come of this, only time will tell.

Humanitarian, Military Aid to Afghanistan Discussed

90UF0305A Moscow KRASNAYA ZVEZDA in Russian
06 Jul 90 p 3

[Article by Major R. Mustafin, KRASNAYA ZVEZDA international observer: "How to Get Out of the Afghan Dead End"]

[Text] Recently the congress of the Party of the Homeland completed its work in Kabul. That is the new name of the former PDPA [People's Democratic Party of Afghanistan]. Despite the different, and sometimes even contradictory, opinions regarding the future policy of the party, the congress concluded its work in an atmosphere of accord and unity. The primary task of the Party of the Homeland, announced its chairman Najibullah, will be to fight for ensuring broad democracy in public life and equal participation of all social groups in it. The party will be guided in its activity by such principles as strengthening independence and territorial integrity of the country, ensuring freedom of democratic development, social justice and peace.

Great attention was given to the questions of intensifying and expanding the policy of national conciliation. It was noted at the Congress that national conciliation has gone from being a number of bold but untested ideas to a balanced system of views regarding the need for moving in the direction of stopping the war, ensuring peace, and restoring the country.

Nevertheless, the situation in the country remains complex. The shelling of cities continues and the blood of innocent people is being spilled. Certain leaders of the Afghan Mojahedin announce that they will continue the struggle against Najibullah until he concedes power. I am convinced that such a course does not correspond with the interests of the Afghan people and does not facilitate finding a way out of the dead end situation which has arisen.

The reports coming out of Afghanistan testify to the fact that ever more representatives of this country are accepting the ideas of national conciliation. According to the announcement of Najibullah, at the present time two-thirds of the commanders of armed opposition groups are either conducting negotiations with the government or have ceased combat operations. The public support of the government in Kabul is also constantly expanding. This is evidenced also by the new make-up of the cabinet of F. Khaliayar. The Party of the Homeland has only 6 ministry portfolios, while 22 ministers, or two-thirds of the new cabinet, are not members of this party. Some opposition leaders admit that without Najibullah it will hardly be possible to bring the country out of war. At least he has a real program of conciliation which is gaining ever greater understanding among various strata of the population.

Another matter is the part of the armed opposition, the "irreconcilables", who not only do not have such a

program, but who are today waging a violent struggle amongst themselves. Recently not only in the Muslim East, but also in the West announcements have been heard regarding the fact that it is doubtful that the people of Afghanistan will accept a situation in which leaders such as Hikmatyar will have undivided rule in the country. It is well known how dangerous his propensity toward the Islamabad idea of "Islamic strategic consensus" may be. The essence of this idea consists of creating a Pakistani-Afghan confederation under the aegis of Islamabad as part of a broader union of Muslim states to the south of the USSR, with future inclusion of the Soviet republics of Central Asia.

There is no need even to mention the attention with which the development of events in Afghanistan and around it is followed throughout the world and in the Soviet Union. The Afghan question has long ago gone beyond the domestic framework and assumed the character of a regional and world problem. Particularly since for the Soviet people Afghanistan will long remain a bleeding and unhealing wound. The price of that unjustified adventure into which we cast the country, the people, and the army in the most stagnant years proved to be much too great.

This is evidenced also by the flood of letters in which readers raise the Afghan question in one way or another. Practically every publication of KRASNAYA ZVEZDA on this topic evokes a flood of responses. They are varied responses. Some of them express doubt, and sometimes even criticism of our current position on the problem of Afghanistan.

"It took many years for us to take the only correct step, withdrawing our troops from Afghanistan. This was a victory for the new political thinking," writes Moscow resident G. Avdeyev. "However, we are not brave enough to take the next step, which would help the Soviet Union regain the status lost as a result of our political errors... the status of a peace-loving northern neighbor toward whom the Afghan people had the most sincere good neighborly feelings." The author of the letter speaks of the "need to give the Afghans the opportunity of themselves establishing that form of state order which would most fully correspond to the historical traditions of this people".

There are also other opinions. Recently the editors received a letter from an officer and field engineer (he asked that his name be withheld, evidently due to humility or for fear of being misunderstood in his unit). Having learned that a mine removal administration was being created in Afghanistan under the Council of Ministers RA, he asked to be sent to that country. "I know what death is. I saw the children disfigured by explosions," writes the officer. "I consider it my duty to help the people of Afghanistan".

Even yesterday, having read these letters, I might have put them off, as they say, until better times. Yet these "better times" seem to be too far off. The question quite

regularly arises: Can we, if not stop, then at least reduce aid to the "third world", specifically to Afghanistan? Will this reduction have a negative impact on our own interests? The interests of security, political, economic, and finally, moral interests?

Having become involved in the Afghan adventure, to a certain degree we assumed the responsibility for the fate of this country. And to this day we bear the moral responsibility for much of what is happening there. I believe that the aid which we are giving should be distinguished. Our military aid to the government of Afghanistan is one thing. Humanitarian aid is something else entirely. Food, clothing and fuel are intended for all the people. Here it would hardly be right to make hasty decisions. Many readers write that to cut off these deliveries would be immoral on our part. And perhaps they are right. Many others believe that in the situation in which we find ourselves today, it makes sense to think about how to help the Afghans without placing too great of a burden on our own people. Finally, a third group is opposed to continuing aid.

I believe the way out of this situation may be that the part of the expenditures by which our aid is reduced may be assumed by other countries. For example, the USA and the West European countries. The member countries of the Islamic Conference Organization may also include themselves in this. Ultimately, all those who truly strive toward peace in Afghanistan and are concerned for the future fate of the people of this much-suffering country have an objective interest in this.

As for shipments of military supplies, they must be stopped only under the condition that the West also stops such deliveries to the opposition. We might add that provision for this has also been made in the Geneva accords.

It seems that today a suitable moment has arrived for the USSR and USA to agree to take such a step simultaneously. And here is why. The problem of Afghanistan was given considerable attention also at the last Soviet-American summit meeting, as well as at other Soviet-American talks. Last week at the talks in Berlin, USSR Minister of Foreign Affairs E. A. Shevardnadze and U.S. Secretary of State J. Baker agreed on the expediency of convening in the near future a meeting of a group of specialists from both sides in order to find a possible variant for regulating the situation. Baker announced that "very, very little difference" remains between the positions of the USSR and the USA".

No matter how constructive the possible solutions of the USSR and USA or other interested parties on Afghanistan may be, they must be transferred as soon as possible to the channel of practical application. The realities of the present-day world demand this. A long-awaited peace must finally come to the land of this country.

Soviet Journalist Examines Turmoil in Jammu, Kashmir

*90UF0365A Moscow ZA RUBEZHOM in Russian
No 28, 06-12 Jul 90 pp 12-13*

[Article by Sergey Vitalyevich Karmalito, journalist and specialist in international affairs, TASS department chief in Delhi: "Will Peace Come to the Kashmir Valley?"]

[Excerpts] We arrived by air in Srinagar—the administrative center of the northern Indian state of Jammu and Kashmir—on a particularly alarming day. Only a few hours before our plane, having crossed over snow-covered mountains, froze on the concrete strip of the airport, the head of the Muslims of Kashmir, Mirwaiz M. Farooq, was killed in a villainous deed in his Srinagar residence.

The Unresolved Killing

The criminals acted with calculation and composure. Three young people appeared in the reception room shortly before noon. As is evident, they knew very well that the mirwaiz does not have a personal guard. Heading the organization of Popular Committee of Action, he preferred to manage without guards, because he believed that such an artificial barrier can only prevent him from mixing freely with the people.

A secretary announced the visitors to M. Farooq, and he invited them into his office. After a few moments, pistol shots were heard. Probably all those who attacked were armed and fired simultaneously. It proved to be impossible to arrest them. The mirwaiz, having received 15 heavy bullet wounds, died in the hospital without having regained consciousness.

About the details of the terrorist attack, we found out from the taxi driver who transported us from the airport, surrounded by soldiers, in the hushed, deserted town.

"They killed the mirwaiz on orders from Delhi," our taxi driver, a strong man about 40 years of age, told us without a shadow of a doubt. "From there they sent their people for this, but all want to shift the blame to the young lads who are willing to give their lives for the freedom of Kashmir. They think of alienating us from them. But I will tell you: If I were a bit younger, and if I did not have a family and children, I myself would take up arms. We need independence, and for it we will fight to the end."

To tell the truth, I had not expected such discouraging openness literally from the first Kashmiri I encountered. But I soon discovered that a great many are inclined this way. In any case, if we do not take into consideration the highly-placed representatives of the state administration, all with whom I had the occasion to talk in Srinagar and its surroundings repeated in one voice: "The Indian authorities want to crush and destroy us because we are Muslims. The only thing we need is self-determination and the independence of Kashmir!" Among them were

college students, peasants, businessmen, policemen and public figures, old men grown wise with life experience and quite young, cocky boys.

At first the sharpness and unanimity of the judgments were striking. Then they were already perceived as an evil suggestion. But in the end there was a feeling of sympathy which stayed with me for the people, who, having proved to be captive of obsessions, were deprived of the ability to lend an ear to reasonable conclusions, to see reality.

It appears, the Kashmiri themselves did not notice how their consciousness became similar to a distorting mirror, in which even a good face acquires sinister features. And the murder of M. Farooq is superfluous evidence of this.

No matter how strange, no one among those who passionately asserted in discussions with me that the mirwaiz was "eliminated by hirelings of the Indian government" could find weighty reasons for such an accusation. Meanwhile, it is difficult not to agree with the opinion of the minister of home affairs of India, Mufti Mohammad Saeed, who in his condolence to the relatives of the murdered emphasized: "This is still another mean blow on the part of those whose only goal is to attain that Kashmir remains ablaze."

Such a point of view is also held by independent Indian observers. The newspaper NATIONAL HERALD, in its commentary in particular, noted that Mirwaiz Farooq "never was an extremist in terms of his political convictions" and adhered to moderate views. One of the reasons for the physical elimination of this outstanding political and religious figure of Kashmir, the newspaper wrote, could lie in the fact that he was regarded as an important figure, capable of playing, at a certain stage, a role in the search for a way out of the present difficult situation in Kashmir. "It is possible," the article said, "his murder was part of a wider conspiracy developed for the purpose of ending the influence, in the Kashmir Valley, of the adherents of moderate and reasonable approaches and to strengthen the positions of the advocates of fundamentalism, having thereby blocked all paths to mutual understanding."

The opinion of the newspaper TRIBUNE is also consonant with this. There are weighty reasons to believe, it wrote, that the 45-year old mirwaiz fell from the bullets of assassins of the terrorist groupings, whose victims the pro-rector of Kashmir University, Mushirul Haq, and the well-known political figure, Mir Mustafa. The motive for the crime, as the newspaper believes, could be the following: M. Farooq firmly and consistently acted against the policy of the confrontation being pursued by the pro-Pakistan Muslim fundamentalist organization Jamaat-e Islami, against the "campaign aimed at the spiritual disorientation of the Muslims of Kashmir" encouraged by it. In the words of the TRIBUNE, M. Farooq had gradually turned into "the chief factor of the growing resistance to the senseless killings."

I think that those are right who believe that Mirwaiz M. Farooq interfered with the extremists who were interested in supercharging the tension in the Kashmir Valley. Moreover, his very tragic death was cleverly used by them for the strengthening of their positions. Tens of thousands of people assembled for the funeral of the mirwaiz in the central square of Srinagar. During the funeral, the authorities called off the curfew and withdrew from the center of town subdivisions of the police and security forces. This made it possible for cut-throats from a number of prohibited organizations to put on a performance clearly calculated to inflame the passions. Armed with automatic weapons and pistols, with their faces covered with bandages, they marched at the head of the procession with the flags of their groupings. The members of the revolutionary fighting groups shouted slogans, which called for a Jihad—"Holy War"—fired in the air, heating up the anyhow excited atmosphere. The burial itself they observed with a salute.

It must be recognized that in many respects the calculation of the extremists justified itself: The seeds of discord and anti-Indian hysteria fell on well-prepared soil. Of this I became convinced when talking, in particular, with five students of the local college. At our own initiative, we were brought together with them not far from the residence of the murdered Mirwaiz by the constable of the police of the state, who noted in so doing: "I myself am in the service, for this reason I shall not say anything, but they will tell everything like it is."

The lads were noticeably aroused by the impressions of the latest events. With ardor they talked about how during the transfer of his body from the hospital to his residence the police unexpectedly opened fire on the procession. According to the official version, the police responded to the shots of terrorists that were in the crowd. From some press reports and my discussions with people in the streets of Srinagar it followed that there were no armed provocations, although the crowd, possibly, behaved aggressively. To this day, the truth has not been precisely established. But, however that may be, as a result of this tragic incident, called forth, most likely, by the nervous atmosphere reigning in the city, where there is no end to terrorist attacks, about 30, or, according to other data, 50 people have died.

My young interlocutors, it goes without saying, interpreted everything in their own way, and the members of revolutionary fighting groups who appeared at the funeral of the mirwaiz represented real heroes in their eyes. "The Indian soldiers kill thousands of innocent people to suppress our movement for independence," the sharpest of the students excited himself. He asserted that the organization "Front for the Liberation of Jammu and Kashmir" (FODK), which is responsible for many terrorist and diversionary acts, "strives only to draw attention to the situation that has developed in Kashmir." "We are ready to die for the sake of freedom," this lad repeated fanatically. "The leaders of our movement know that the mirwaiz was killed by intention

of the central government, which wanted thereby to introduce a split in our ranks."

In Azad Kashmir, close to the border with India, significant forces of the Pakistani army are quartered and bases of the Pakistani Air Force are located. Moreover, it is no secret to anyone, that under the regime of Ziaul Haq a detailed plan for the annexation of Kashmir was developed by the Pakistani special services. For a period of many years, armed skirmishes have taken place incessantly along the line of control. Thus, its sector falling in the high mountain glacier Siachin, located in the north-eastern part of the state Jammu and Kashmir, has become a hot spot. But the main thing which today calls forth anxiety in India is the support, by Pakistan, of the separatist terrorist formations operating in Kashmir and the neighboring state of Punjab.

In a plan which I received not so long ago at a briefing in the press department of the Ministry of Foreign Affairs of India, 46 camps were marked, where they train members of revolutionary fighting groups.

As the official representative of the Ministry of Foreign Affairs of India explained, the activity of the camps is being clearly coordinated, their places of location change depending on requirements. But the network remains extremely extensive. Other facts are becoming known. Thus, the newspaper HINDUSTAN TIMES, citing informed sources, already in February reported the development, in Pakistan, of a plan of the combat training, with the assistance of Afghan Mujahedin, of 10,000 members of revolutionary fighting groups from among young Kashmiri. This plan, according to the paper, was agreed on at a meeting of the leaders of inter-departmental intelligence services, Sikh separatists, the leader of the Front for the Liberation of Kashmir, Amanullah Khan, and one of the leaders of the Afghan opposition formations, G. Hekmatyar.

In the army barracks on the outskirts of Srinagar, they showed us a display of weapons taken away from extremists, who had tried to penetrate the Kashmir Valley illegally after going through training in diversion camps. On the tables automatic weapons and pistols were neatly laid out, ammunition for them, machine-guns, rocket grenade launchers, modern anti-tank and anti-personnel mines in plastic casings, making their discovery more difficult, electronic detonators, boxes with explosives. Some was still quite new, some, evidently, had already been used. We were told that all in all, since the beginning of the year, more than 70 automatic weapons had been seized by the security forces, 95 pistols, and 170 anti-personnel mines. But this arsenal is being supplemented almost daily. "As the result of the measures that have been adopted," the officer accompanying us explained, "the penetration of extremists across the line of control and back, into the Kashmir Valley, has undoubtedly diminished. But nevertheless, according to available information, the greater part of the members of revolutionary fighting groups succeed in returning to Kashmir. They utilize guides who are thoroughly at

home in the mountains, who know secret passages through passes and canyons. For this reason, even with large forces at one's disposal, it is very difficult to block the transport of members of revolutionary fighting groups is very difficult. . . ."

Since the beginning of the year, it proved possible to detain about 250 members of revolutionary fighting groups while crossing the line of control, another 50 were killed in exchanges of fire. As we were told by the deputy general director of the police of the state of Amar Kapur, who is responsible for intelligence, according to estimates, 700-800 terrorists succeeded in penetrating into Kashmir during the same period. The preponderance clearly is not on the side of the security forces. Meanwhile, as local observers note, after the thaw of the snow on the mountain summits, the influx of members of revolutionary fighting groups being sent from Pakistan should sharply increase.

Anyway, according to the testimony of the Indian journal SANDI, 43 extremist organizations that have a clear-cut military structure operate in the Kashmir at the present time. On the whole, they are divided into two large groups: Islamic fundamentalists, which are subordinated to the organization Jamaat-e-Islam (DII), which is closely linked with the Pakistani interdepartmental intelligence service, and detachments of members of revolutionary fighting groups, which are under the control of the nationalist Front for the Liberation of Jammu and Kashmir (FODK). If the FODK advocates the separation of Kashmir from India and the creation of an "independent Kashmir state", the DII is inclined to include all of Kashmir in some form as part of Pakistan. But in the methods of attaining these goals, both organizations and the militarized groupings connected with them are basically relying on terror. This is what serves as the basis for their cooperation. Each organization, SANDI shows, rests on approximately 2,500 trained militants [boyeviki]. Both peaceful inhabitants and the police, soldiers, and officers of the border forces and the army become the objects of their attacks. They have also resorted to hostages for the purpose of exerting pressure on the authorities and compelling them to release the arrested heads of terrorist formations.

"The terrorists are well-armed and organized," the director general of the police of the state Jammu and Kashmir, Saxena, told us. "Making use of arms, they compel Kashmiri to extend assistance, to grant refuge, and even to give money. Of course, there are also those who are sympathetic to the extremists, who believe that they are fighting for the right cause. And, all the same, I believe, the most important prerequisite for normalization is to put an end to the terror in the Kashmir Valley, in order for the people not to live in constant fear, but it is also necessary to make adjustments in relations with the people. Let them feel that the administration is attentive to their needs and demands and is interested in the improvement of the situation."

It is difficult not to agree with the opinion of the chief police officer of Jammu and Kashmir. Especially as every day now brings new evidence of the active intervention of extremist groupings in the development of the situation. For instance, the mass action of the local population of Srinagar at the beginning of June may serve as an example. According to some data, about 300,000 people went out into the streets of the city. They assembled at the central mosque for the ceremony of the elevation to the post of mirwaiz in place of the murdered M. Farooq. There was talk about his 16-year old son Umar. However, the extremists were able to set the tone of this event. As a sign of protest against the "illegal occupation of Kashmir by India", boys in the crowd demonstratively burnt the state flag of the country and through clothing of Indian manufacture into the fire. Addressing himself to the assembled, one of the FODK leaders declared: The struggle for the freedom of Kashmir will continue until the last Indian soldier leaves the Kashmir Valley.

Somewhat earlier, the separatists succeeded in arousing thousands of people to take part in a procession through the streets of Srinagar to the headquarters of a group of United Nations observers located in Kashmir for observation of the situation at the line of control. The representatives of the group were handed a memorandum, which contained an appeal to the United Nations to turn its attention to the situation in Kashmir and "to assist in its liberation."

The situation in Srinagar has become appreciably aggravated. In the city and its vicinity, the members of revolutionary fighting groups have carried out a number of terrorist and diversionary actions. Since the beginning of the year, about 400 people have become victims of them.

A Dialogue Is Necessary

It is not difficult to become convinced that it will prove possible to achieve a great deal through the methods of intimidation, terror, and psychological pressure. But the possibilities of such methods are nevertheless limited. With their assistance one can paralyze the will of part of the population, but it is much more difficult to nudge people into active involvement, to arouse them to follow the adherents of violence, to repeat their slogans with fanatic conviction. But meanwhile that is precisely what is happening in Kashmir.

What are the reasons for such a phenomenon? The Indian political and public figures, observers who have critically analyzed the processes in the state of Jammu and Kashmir in the course of the last four decades, come to the following conclusion: All these years, drop by drop the cup of discontent of the Kashmiri has become filled—the discontent which has now splashed through the region.

The newspaper *STATESMAN*, in particular, in examining the course of events in Jammu and Kashmir in detail, recalls the history of the plebiscite that has not

taken place, but which was to have been held in the state already at the end of the 1940s. This, in the opinion of the newspaper, gave the basis for the fanning of the anti-Indian campaign. Moreover, a series of steps of the Indian government clearly is in conflict with the constitutional guarantees of the autonomy of the state and confirmed the growing intervention of the center in its affairs.

A heavy blow came with the signing, in February 1977, by Sheikh Abdullah and the central government, of an agreement which practically abolished the autonomy of the state of Jammu and Kashmir. "The people of the state," the *STATESMAN* concludes, "was deprived of the fruits of democracy and social justice. Unpopular governments, with leaders appointed to play a double game in Delhi and Srinagar, were the rule here. On its part, the center regarded the state as a colony." Of course, someone may believe that the newspaper is exaggerating. But such assessments can be found in other press organs and in the statements of well-known Indian political scientists.

The attitude of the center to questions of the economic and social development of Jammu and Kashmir is also being sharply criticized now. In a discussion with us, the secretary of home affairs of the state, M. Rahman, who for a quarter of a century had worked there in various posts in the state service, cited quite a few figures and facts testifying to the growth in the output of agricultural products, the increase in the number of sheep, and the expansion of horticulture. But I honestly confess, his optimism called forth some doubt, and the methods of comparing indicators reminded us of our recent experience, when we made comparisons with the year 1913.

"One can hear accusations to the effect that the funds allotted were used incorrectly, that "they disappeared in the sand," or even were illegally appropriated," M. Rakhman noted. "I cannot exclude this. But absolutely unfounded are the assertions that the center made insufficient allocations." Nevertheless, according to him, quite a few problems accumulated—from the poor state of highways to insufficient electric power. As a matter of fact, having driven far beyond the boundaries of Srinagar, we did not see a single tractor along the highway leading among thoughtfully arranged rice fields. Everywhere the peasants were ploughing with oxen and wooden ploughs. In the city itself, especially in its old quarters, the decrepit state of housing and the neglect of the streets produce a depressing impression. As I found out, in the 1988/1989 fiscal year, the state accounted for only 0.03 percent of the total investments of the state sector. Its indicator of the allocation of advantageous credits, by comparison, let us say, with the neighboring state of Himachal-Pradesh, is also significantly lower. During the last period in Jammu and Kashmir, with its population of 5 million, there has been a sharp increase in the number of registered unemployed, which in the 1986/1987 fiscal year came to 100,000 people.

All of these facts are skillfully used with good effect by the separatists. Their chief trump card lies in the fact that Jammu and Kashmir is the only state in India with a Muslim majority. In the Kashmir Valley, 95 percent of the inhabitants are Muslims. This makes it possible for Islamic fundamentalists to supercharge Indian hysteria, citing the fact that the center is building up the interests of the Hindus only, but is discriminating against Muslims. The tragic consequences of this dangerous game have already shown themselves in the situation in the state. As we were told, recently about 20,000 families, who feared the deterioration of the situation, were forced to leave Jammu and Kashmir. Almost all of them are representatives of the Hindu population. According to other data, there are 10-15 times more refugees because by far not all of them are registered.

It is impossible not to direct attention to still another circumstance. For the struggle with terrorism, the prevention of mass disorders, and the establishment of strict control of the situation in the Kashmir Valley, border forces, the reserve police, and other special formations are now tied up.

A trip these days through Srinagar, where in some districts a curfew has been maintained for several months already, produces an oppressive impression. In the deserted, desolate streets, one very rarely encounters light automobiles and buses—basically jeeps and trucks with policemen and soldiers. The sidewalks and crossings are disfigured with ominous bunkers of sand bags, the barrels of machine-guns protrude from gun-ports, and obstacles block the carriageway every few hundred meters. Armed duty details vigilantly are on duty there. Moving about the city in an aged taxi, we were forced to make constant stops to show the special passes issued to us by the police. But frequently the stern militiamen on point duty did not limit themselves to attentive study of them, but made us get out of the car, turn over our bags for inspection, looking an any case into the trunk.

Of course, now the situation has gone so far that you can hardly manage without strict measures of precaution in Srinagar and other cities. But, it seems to me, it is necessary to take something else into account. The fact that, as the result of such measures, the local inhabitants feel as if they are under "siege" and they are beginning to perceive the armed policeman or soldier already no longer as a protector, but as an "occupier". The growth of discontent and embitterment clearly does not increase the chances for a solution of the Kashmir problem.

The following, in my view, characteristic episode sticks in my memory. During an outing in a boat on a lake, I called attention to another, gaily decorated vessel that overtook us and bore the gaudy name "James Bond." To my question, where they are sailing, one of lads sitting in the boat, with unexpected sharpness, snarled: "We are carrying a nuclear rocket to fire at the Indian army."

Naturally, with such a frame of mind, even the forced, completely justified, and legal actions of the police and

the army lead to the conception and unravelling of rumors about their "heinous crimes and brutalities", "violence against people not guilty of anything," and "outrages against women." All of this I also had the occasion to hear from inhabitants of Srinagar.

The present situation in Jammu and Kashmir, undoubtedly, costs the state very dearly, first of all—its economy. It is sufficient to say that the tourist industry has proved to be in a crisis state this year. The losses are estimated to run to several billion rupees.

The development of the situation in Jammu and Kashmir is no of very great, if not decisive, significance for the political prospects of all of India. Here, in many respects, the interests of the preservation of the unity and territorial integrity of the country are at stake. At the same time, the clouds of Indian-Pakistani contradictions, threatening, as many observers believe, a new war, have once again thickened around Kashmir. Not only the neighboring countries, but the great powers are following this with concern. It only remains to rely on the fact that—and the very latest statements by the leaders of Pakistan and India give certain foundations for this—that these are already other times. Perhaps, the reasonable approach, for which the Indian government has actively called, will prevail, and the debatable questions connected with Kashmir will be peacefully regulated by the two sides in the spirit of mutual understanding on the basis of the Simla Agreement.

To return the state of Jammu and Kashmir to normal life, as is evident, not only "hasty measures" are required. Repressive actions alone will hardly succeed in correcting the situation, and all the more so overcome the growing alienation of the Kashmiri. And the understanding of this is growing. Increasingly often in recent times, appeals are heard to begin a political dialogue that would make it possible build a path to the settlement of the situation. To solve such a task is not very simple: After the introduction of gubernatorial rule in Jammu and Kashmir and the dissolution of the legislative assembly of the state 5 months ago, the political life there was practically paralyzed. The opinion is being expressed that its restoration will require the unification of all leading parties of the country, which must realize how much depends today on the quickest way out of the Kashmir blind alley.

"The future of India as a unified, democratic and secular state is being decided in Kashmir today," R. K. Thakkar, the head of the state service of the state, emphasized in a discussion with us. "The situation here is reminiscent in some ways of what is happening at the present time in your country, in some regions of the Soviet Union. I am convinced that in Jammu and Kashmir a broad and active dialogue is urgently necessary," R. K. Thakkar continued. In so doing, we must from the very beginning firmly declare that we will fully guarantee the respect and observance of the autonomous rights of the state and its special status which is provided for in the Constitution of India. We must again conquer the hearts of the

Kashmiri and convince them of the fact that the fate of Kashmir is inseparable from the fate of India."

The last days brought evidence of the fact that the Indian government is prepared to open the doors to a dialogue in the interest of the normalization of the situation, and in so doing is inviting various political and social forces to it, including even its vehement enemies. In this, most likely, there is also the spirit of the time.

On the last evening before take-off, I was talking with one of the already not so young inhabitants of Srinagar at the embankment of Lake Dal. Good glance of the light-brown eyes, streaks of grey in the short-cut hair. He turned out to be a merchant, said that he was 49 years old. And when I showed an interest in his name, he asked me to call him Mir. I explained to him what this Muslim name means in Russian. "Yes, mir—this is a sacred word," he exclaimed passionately. "At present we do not see any other path except independence and freedom. But we do not want to quarrel with anyone, we want to live in peace on our land."

Near East Tension Aggravated By Halt To U.S.-Palestinian Dialogue

90UF0286A Moscow KRASNAYA ZVEZDA in Russian
30 Jun 90 p 5

[Article by Major R. Mustafin: "International Notes: Alarming Summer In The Middle East"]

[Text] Each news report from the Middle East is more alarming than the one before:

—the Libyan news agency JANA has reported that Libyan surveillance posts learned that several Israeli Air Force squadrons had overflowed the territory of a south European country;

—the Egyptian newspaper al-Akhbar reports that Israel has concentrated a sizable number of troops and combat equipment on the Egyptian border;

Iraqi President S. Hussein has declared once again that he will launch an all-out attack on Israel should Israel launch a strike against Iraq or against any other Arab country;

—in the occupied territories, Jewish settlers are forming armed detachments of a "civil guard" to put down the intifada.

I don't know about others, but I personally find these reports reminiscent of the situation that arose in the region on the eve of the Israeli aggression against Syria, Egypt, and Jordan in June 1967. In any case, in terms of many of its elements and parameters, it nearly repeats the dramatic unfolding of events in the spring of 1967, when their rapid course often subordinated to itself the will of politicians and strategists, making them its hostages.

Of course, I cannot justify the wave of a certain militancy and not always prudent statements by various political figures that has swept through a number of Arab countries. Nevertheless, I believe that the bulk of the responsibility for the extremely volatile situation that has arisen in the Middle East—a situation in which, in some observers' view, the parties to the conflict have already crossed the rubicon—rests with Israel.

It is Israel's ruling circles that have firmly blocked the peace process, spawning disillusionment among the Arabs and forcing them to take more radical positions. Israeli Prime Minister Y. Shamir said that he will never hold peace talks with the Palestine Liberation Organization, whose goal, he said, is to destroy Israel. Israel's effort to dissolve the key problem of a Middle Eastern settlement—the Palestinian problem—into the details of general Arab-Israeli issues, to shirk responsibility for the stalled peace efforts, and to isolate the PLO is becoming increasingly obvious.

Needless to say, present Middle Eastern reality, aggravated by the presence of weapons of mass destruction, demands more than ever before radical and practical measures to head off the movement toward military catastrophe. Responsibility, prudence, caution, and sobriety are needed as never before. And not only on the part of the politicians and governments of the region's states but also on the part of those whose authority in world politics influences events. For example, the United States.

Meanwhile, the American position on the Middle Eastern problem is characterized, in my view, by duplicity and inconsistency. This was especially apparent when Washington took its decision to suspend the dialogue with the Palestinians. The pretext for the PLO's "punishment" was the landing by Palestinian militants on the Israeli coast on May 30. The United States demanded that the chairman of the PLO Executive Committee condemn the action. Y. Arafat confined his reaction to that of distancing himself from the actions of one of the factions in the PLO—the Palestine Liberation Front (PLF), which took responsibility for the landing.

Whereas the U.S. decision to curtail American-Palestinian dialogue was greeted with unconcealed joy in Israel, it met with a different reaction in the Arab world. A statement by the League of Arab States expresses regret over the suspension of the dialogue, which, the document says, was an important contribution to the peace process. Tunisia, on whose territory the dialogue had taken place, urged the American administration to rescind its decision.

It is hard to disagree with these arguments. Especially as the breaking off of the dialogue coincides with the collapse of U.S. Secretary of State Baker's plan to arrange direct Palestinian-Israeli talks, as well as with the creation of an extreme right-wing government in Israel. The suspension of the dialogue will entail a hardening of

the positions of those in the Arab world who advocate a military solution to the problem, and it will facilitate the region's slide toward extremism. It's no accident that within three days of the decision's adoption, Israeli warships intercepted and sank a launch carrying Palestinian militants who were headed, the authorities said, for the Israeli shore. And PLF leader Abul Abbas declared that his fighters will continue attacks on Israel.

And we should doubtless pay attention to one other circumstance. I think that the American administration's decision has largely dispelled the illusions of those who believed that the key to a solution of the Middle Eastern problem lay in the hands only of the United States and who gambled on this, aiming the arrows of their criticism at the Soviet Union.

Jewish Autonomous Oblast Decline Increases Emigration to Israel

90UF0340A Moscow KOMSOMOLSKAYA PRAVDA in Russian 12 Jul 90 p 2

[Article by G. Mironova, Khabarovsk Kray: "Where is the Promised Land?: Residents of the Jewish Autonomous Oblast are Moving from the Far to the Near East"]

[Text] "In Birobidzhan it is now possible to buy everything," my friend told me happily. In the stores the same depressing emptiness remains, but what amazing ads in the newspaper! "I will sell a man's feather bed, a mink hat and a blue fox hat, stoles, a coat, winter boots..." "I am exchanging a car for a video system." In the market private libraries of books and furniture are being sold...Incidentally, no one here is surprised about the sales; everyone knows that this is what people do to prepare for emigration. In Israel it is warm, first of all; and secondly, everyone knows what can and cannot be taken and thirdly, money for the trip is simply needed—somewhere in the neighborhood of 8,000 rubles.

Incidentally, Birobidzhan is the capital of the Jewish Autonomous Oblast. In the Soviet Union not much has been known about life here until recently, and even now not much is known. Often newspaper articles have been imprecise about where events occurred—all that was written was Khabarovsk Kray, or in general out there somewhere in the Far East.

Foreigners have always been interested in the oblast. They were taken to the synagogue, to a showpiece kindergarten where the children had been trained in the national dance "seven-forty", and of course to the newspaper BIROBIDZHANER SHTERN, which was published in Yiddish. Naturally they became acquainted with a well-known leading seamstress who fulfilled the five-year plan in about a year. All of this showed that there was no Jewish question at all in the oblast, that on the contrary there was a complete triumph of Leninist national policy. And finally, of course, they played their trump card—no one ever emigrated anywhere from Birobidzhan. Foreigners smiled a lot.

Perhaps the demonstrations did not convince them, perhaps they knew that Jews were still finding their way to Israel, although it is true it was just single people here and there, and only after first moving to another part of the country and waiting for a certain amount of time.

However, and this is not a trick of official propaganda, there was no national question in the oblast despite everything and perhaps in spite of everything. There they even began to forget what it was—they just lived and let live. But now that it would seem that everything was moving toward the better—the rebirth of nationalism and true autonomy, tension appeared in minds and moods. People are tormenting themselves about how everything happened, leaders are discussing the problem at "round tables," and newspapers have joined in. Nevertheless, the Jews feel more and more uncomfortable and to non-Jews this is of concern. In addition to all of this there is the catastrophically-growing emigration. Last year 16 people left, and this January 900 tickets were already ordered at the Aeroflot counter with Israeli visas. "Why should Jews leave their Jewish Oblast?"—this is the question that torments people in Birobidzhan. Finally the answer can be reduced to another question: Why are others Jews who are not from Birobidzhan leaving the country? Yes, Germans and Russians and Armenians are leaving. There are no local reasons for this, the Pamyat organization does not exist in the oblast and no one writes insulting words on the fences. But the main thing is that not much significance is ascribed to autonomy itself, although for many years an attempt was made to present a Jewish state in the Far East as a socialist alternative to Israel.

Incidentally, the oblast is larger than Israel in land area. Its flourishing was described from one anniversary to the next in special books that were published for show. But somehow no one preferred the JAO [Jewish Autonomous Oblast] to Israel; after preparing for a long journey no one reconsidered and turned toward Birobidzhan instead of toward Tel-Aviv. This was true despite the fact that the first secretary of the obkom, who is also the chairman of the oblast soviet of people's deputies, tried to campaign in the Ukraine as well as in the Chernobyl region, invited people to the oblast and said that nature there was beautiful and things were quiet. But there was no new call to the "near and beloved Far East"—in Birobidzhan not only are there no available apartments but as everywhere else, there is a line for housing, and work in one's specialty is not guaranteed, the oblast is agricultural and the small city is provincial. But the leader is firm in his point of view—if the right conditions are created people will go to Birobidzhan anyway. After all, the growing emigration of Soviet Jews is causing a certain amount of alarm internationally as well, and it would seem that something has to be done. The party obkom, headed by V. L. Korsunskiy, succeeded in having the council of ministers pass a resolution on the special strengthened development of the oblast and on allocating resources to it separately. There has been talk about separating from the kray and even from the

republic. But is it really possible to create some kind of special privileged oasis in the Far East? It would be interesting to see what would be said about this by the Nanay, Udygey and Nivkhi peoples, who not only do not have autonomy, they have nothing.

With perestroyka we have noticed many strange things in our expansive native land. For example, why is it that Khabarovsk Krai does not have a single state educational institution for the native peoples, whereas the Jews, who didn't even live here until the 1920s, are autonomous? Until recently the history of the oblast's formation was presented briefly and loosely: "Thousands of Jewish volunteers, answering the call from western regions, went to assimilate the primitive region, fell in love with it, transformed it, put down roots and so forth. The government provided the resettlers with all the necessities..." "Everything is correct," an old person assured me, "I have to tell you what kind of hunger there was at that time; we all would have died, so of course we went voluntarily." The future was tempting—with favorable results in continuous settlement Jews were promised the allocation of territory as a special national administrative unit.

...There was an expedition by KomZET (Committee for Land Organization of Working Jews of the Presidium of the USSR TsIK [Central Executive Committee] Council on Nationalities) to the Far East. In 1927 its director, Professor V. L. Bruk, reported that in the area under investigation live people of 19 nationalities, primarily Russians and Koreans. Colonization was possible in the direction of agriculture, beekeeping, livestock raising and hunting. The wildness of the place was noted, the strong foulness... Resettlement should be well-organized, noted the expedition, with adequate preparation of land and well-organized supply, and it should take place no earlier than 1929.

But already in April 1928 the first orders were being given out to resettlers, to those same small-town people, small artisans and traders—people who lived who knows how, who never owned a piece of land or a cow, let alone ever held a hunting rifle in their hands. But that's no problem! A. Merezhin's speech at a KomZET meeting (12-13 July 1928) emphasized: "The basic goal of resettlement is to alter the social structure of the Jewish population and the transformation of non-productive elements into productive." The Soviet government was worried about the declassed useless Jews...

During the first year, of 600 people who came to the Far East fewer than half remained. The cold spring, the uncultivated soil, the poorly organized housing and to top it all, flooding—these were the reasons they left. The dissemination of nonsensical rumors was intercepted. Soon it was noted that the Jewish masses had discovered an ability to become farmers even though it had been felt that they were not capable of this. Severe, almost primeval nature must provide a rebirth for the small-town person, assured V. I. Lenin, VTsIK [All-Russian Central Executive Committee] Chairman. We are successful

in forging a healthy Soviet Jewish nationality. And work reports flew as good news from the reformed Jews in the Far East: "In our region there is no private trade, not a single private store, not a single handicraftsman. We have recognized all of the advantages of collective management of an enterprise. The question of class struggle is the most important one here." Those who could not withstand the colossal testing gathered their bundles only in the dark of night...

Earlier, prior to 1927, the Crimea, the Ukraine and Belorussia began to allocate land to Jews. At that time the Jewish Colonization Society in Paris, Agrodzhoynt from North America and others provided active help with equipment and other resources. When the policies for resettling Jews in the Soviet Union changed to the Far East variant, the majority of international organizations ceased their aid, not wanting to participate in a "swamp" experiment. Only the American-Canadian IKOP [Further expansion unknown] remained faithful. Later there was a settlement by that name; now it is already a town. In 1931 resettlers from abroad came to Nayland, a new country—from Argentina, Germany, Lithuania and even Uruguay. Jews were not running away, on the contrary. Incidentally, their descendants remain a numbered few since there were several years during which people like them were branded "spies and enemies of the people"...

I have heard many versions about the creation of the YeAO. Some say that Stalin decided to do this in a fit of anger about the beginning of propaganda about the creation of a Jewish state in Palestine. Somewhere else I read that the motive was the unrest in the region, which meant that empty territory had to be settled immediately while pushing out the Koreans. (Incidentally, the Koreans were later the first people subject by Stalin to genocidal resettlement). But perhaps the first were actually the Jews? They were not forcibly resettled yet but perhaps the idea had already taken root? To deal with an entire people... In addition, this did not diverge from the theories of Stalin himself, who at the time was not yet Stalin but, according to Lenin, a wonderful Georgian man who wrote the article, "Marxism and the National Question." Without territory of its own there is no nation, wrote Koba; in our opinion Jews did not constitute a single nation. Territory was given to Jews, perhaps to see what would result from all this.

According to the tales of eyewitnesses in 1952 barracks were being built and preparations were being made for the arrival of Jews in the Far East, now without the ceremonial drives. It is said that only the death of the leader halted this. After all when the Jews were treated nicely the government had not been successful in settling the region. It wanted to resettle over a million but was able to get only thousands; thousands came but only hundreds remained. No plans were fulfilled! The largest number they could achieve was 17,500 in 1939. If we judge by percentages, only during the year of the formation of the YeAO, 1934, Jews comprised 20 percent of the population. Today in the oblast they comprise no more

than 4 percent of the population—a total of 9,000, 8,000 of whom live in Birobidzhan. What is there to be surprised about if with each passing year the "Jewish question" became smaller and smaller...

In addition, the decrease was not just automatic; the national was eliminated purposefully, and the struggle against cosmopolitanism in general passed like the ninth wave through the oblast. Schools and technical schools using the Hebrew language disappeared, the state Jewish theater was dispersed and the almanach BIROBIDZHAN was closed. Yiddish gradually disappeared from use entirely. The spared Birobidzhan Jewish chamber music theater overgrew the province long ago and the addition of "Birobidzhan" is just for show—in reality it has long been the Moscow theater. The Freylekhs Show Group flew high and away. What remained in the oblast was for show for foreigners. After all, the myth about Jewish autonomy was still steadfastly maintained all those years. This includes the editors of the newspaper BIROBIDZHANER SHTERN, which is published 5 days per week. To learn its circulation is equivalent to gathering intelligence. However, one day a person reported, with the request that he not be named: "Sometimes it reaches 2,000; in the oblast there are 100 subscribers." Do the rest of the copies go abroad? Or where?! "I have always been told that our newspaper is just politics," said one young worker who, incidentally, knew little Yiddish and who doubted the importance of this politics. Article written in Russian are translated into Yiddish by elderly translators; typists and linotype operators gather the letters blindly without understanding content. There are serious suspicions that the CPSU oblast committee and the oblast executive committee, for which BIROBIDZHANER SHTERN is an organ, cannot read what is being printed in the organ.

"And do you know that in the ODIKSI society (Society for Friendship and Cultural Ties with Israel) they teach Hebrew!?"—said USSR people's deputy L. V. Shkolnik. It was assumed that those who study Yiddish are in support of a rebirth of nationality there whereas those who study Hebrew are naturally planning to go to Israel. There, of course, there can be no culture. Well, if they want to go, they are taught; should a third party tell them what to do? No, we have growth accustomed to the fact that there must a third party.

Perhaps the third party is those who live in the oblast? Perhaps they too should be asked about how to go forward and where. If we speak honestly in the council of ministers such questions are put under the heading "Jewish problem." Contact with Israel is organized under the protection of "Jewish autonomy." But how do the 8,000 Jews who live in Birobidzhan view real autonomy? When it was not real there was nothing to talk about. Is it even possible to create real Jewish government if there are almost no Jews left?

"We are trying for our sake," say those who remain. It will be easier for everyone to live, they assure everyone else. The idea of a national center in the Far East which will draw together the strands of friendly and business ties and with them (let's be honest—financial support, joint ventures, new technologies and so on) is attractive. However, there are two sides to every coin. As soon as "autonomy" processes began, in the oblast where there never had even been social conflicts talk began about growing anti-Semitism. At this time in the settlement of Lazarev new Moldavian settlers created their cultural center. This is the place for a Moldavian language school; after all the children who just arrived still speak Moldavian. But right now there is no time for this...

All of the classics written about the national question that I ever read somehow or other always turned to the Jews—either making an exception for them, or including them in general theories. There were ideas of national-cultural autonomy, i.e. autonomy without territory, the essence of which has to do with the fact that every citizen who so desires may sign up for a particular nationality group and every nationality group constitutes a legal unit with the right to create a national parliament. But others saw in this idea a refined nationalism. Perhaps this kind of set-up would be suitable for Jews, and not only for Jews, but for Greeks and Germans too? There are cities in which there are hundred of thousands of Jews. For example, about 200,000 Jews reside in Moscow.

It is said that the future of the YeAO lies in a fog. Writer Roman Shoykhet said to me sadly, "Everything is already late, too late..." This is his personal opinion, he never speaks for everyone. I think that it is not a fog but dust—still unother of Stalin's undertakings has crumbled. What should be done with this surprising oblast? I am not a classical writer. I just want to say that everything must move along naturally as it will, without "orders" and unilateral decisions...

Ethiopia's 'New Economic Policy' Viewed
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[Article by G. Ustinov, IZVESTIYA correspondent:
"Ethiopia: What the Private Trader May Do"]

[Text] The main commercial street in Addis Ababa, the Piazza, has blossomed this spring with tens of fresh signboards. New stores, cafes and bars have arisen here three stories high. The shop windows and shelves are filled with goods: Japanese electronics, clothing from Western Europe in large assortment, French cosmetics, Swiss watches, and the latest in jeans fashions. The prices are rather high, but there are still quite a few buyers. The open verandas of the restaurants are never empty. They were immediately selected by the capital's students, who sit here for hours over a cup of tea or a glass of juice.

There are fewer Ethiopian goods on the Piazza. In general they consist of national dress, soft furnishings, jewelry items, and 100 percent cotton tricot. There is also much locally manufactured footwear, which is made well and with taste. There is an abundance of terrycloth towels. I recall the recount of one of my fellow countrymen who worked in our embassy. "I received a letter from our friend—a professor at one of the Moscow VUZes. He had good news. The institute held a sale of goods which had been brought in. However, it turned out that there were not enough goods, and so they held a lottery. The professor was lucky. He 'won' a small terrycloth towel."

But let us return to the Piazza. It looks like there will be much more domestic-made goods there by next spring. In March of this year the 11th Plenum of the RPE Central Committee announced the changeover to a new economic policy. It gave the green light to all forms and types of economic management activity. The production of food products and consumer goods is particularly encouraged.

The country's business people and foreign entrepreneurs, who have long ago put down roots in the Ethiopian economy, greeted the idea of the NEP [new economic policy] with interest.

The state council's decree on the NEP proclaims equality of all partners in the country's mixed economy—state enterprises, cooperatives, private companies and entrepreneurs, and foreign businessmen and companies, and expresses the assurance that, working under conditions of healthy competition, they will be able to saturate the domestic market with all the necessary goods and at the same time to increase currency reserves by means of expanding export.

Reading this document, at times one does not believe one's eyes. And this is in a country whose economy was quite recently wound even tighter by the barbed wire of command-administrative prohibitions and limitations than our own, and which had ossified in the shackles of centralized administration! Such a sharp turn toward the market... From now on, private business has been

expanded in practically all spheres except for the defense industry, postal and telephone communications, railroad and major maritime transport, radio and television. Special governmental permission is required for its participation in the production of electrical power, tobacco, drinking water, as well as banking and insurance. Everything else is permitted.

Let us take, for example, farming. It is true, Ethiopia did not opt, as we did, for the free sale of land, whose nationalization was the main slogan of the revolution. However, the situation in land use has changed substantially. In rural areas, along with state farms and cooperatives, it is now possible to have small as well as large farms with rights of private ownership, with employment of hired workers, and with inheritance rights on land. A city resident or foreigner may lease land in rather large amounts for a rather reasonable price and for a long term. If the farm is managed successfully, the contract will be automatically extended. Laws on land use and on farming are on the way out.

The state council decree on investments lists the NEP priorities. These are the development of agriculture and industry and the revitalization of construction and the sphere of services. Those who decide to engage in enterprise in these areas are given great incentives. Thus, they will be excused from customs duties, state taxes and municipal collections when bringing into the country machines, equipment or spare parts necessary to start a business. If you want to build a hotel, for example, you may import construction equipment, finishing materials, furniture, kitchen appliances, washing machines, dishes and linens—all duty free. The only condition is that your hotel must meet current "intourist" requirements.

Naturally, equipment brought in this way cannot become the object of trade.

Tax incentives are considerable. Thus, enterprises of an agricultural or industrial description or those in the sphere of services are excused from paying income tax for a period of from 2 to 5 years.

Then there is the emancipation of the peasant. While before the state considered [the crop] he raised to be its own property and strictly watched to see that, heaven forbid, he did not take his harvest to the market, today the farmer is allowed to freely sell grain, vegetables and fruits. This has had an immediate favorable effect on the food supply to the cities.

The transition to new economic principles has evoked immediate interest among Ethiopia's traditional trade partners. Official delegations of the PDRE have visited a number of Western countries to present an explanation of the new course. Representatives of big business have even begun to frequent Addis Ababa. The International Bank for Reconstruction and Development and the International Currency Fund have promised to give Ethiopia large loans.

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